

95th Congress }  
2d Session }

COMMITTEE PRINT

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# INVESTIGATION OF KOREAN-AMERICAN RELATIONS

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REPORT  
OF THE  
SUBCOMMITTEE ON INTERNATIONAL  
ORGANIZATIONS  
OF THE  
COMMITTEE ON  
INTERNATIONAL RELATIONS  
U.S. HOUSE OF REPRESENTATIVES



OCTOBER 31, 1978

Printed for the use of the  
Committee on International Relations



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WASHINGTON : 1978

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## FOREWORD

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HOUSE OF REPRESENTATIVES,  
COMMITTEE ON INTERNATIONAL RELATIONS,  
*Washington, D.C., October 31, 1978.*

This report has been submitted to the Committee on International Relations by the Chairman of the Subcommittee on International Organizations pursuant to a Committee Resolution adopted on February 3, 1977, and amended on February 2, 1978.

The findings, conclusions, and recommendations in this report are those of a majority of members of the Subcommittee on International Organizations and do not necessarily reflect the views of the membership of the full Committee on International Relations.

CLEMENT J. ZABLOCKI,  
*Chairman.*



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## LETTER OF TRANSMITTAL

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HOUSE OF REPRESENTATIVES,  
COMMITTEE ON INTERNATIONAL RELATIONS,  
*Washington, D.C., October 31, 1978.*

HON. CLEMENT J. ZABLOCKI,  
*Chairman, Committee on International Relations,  
U.S. House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: On behalf of the Subcommittee on International Organizations, I am submitting for consideration by the Committee on International Relations the report of the Investigation of Korean-American Relations, together with additional views by the minority. It contains the findings, conclusions, and recommendations of the subcommittee with respect to the nature of Korean-American relations and various allegations of questionable activity in the conduct of the relationship.

The report is a reflection of diligent work by an outstanding staff of 20 persons. Throughout the investigation, they showed careful consideration of both the positive and the problematic elements in Korean-American relations.

This inquiry provided valuable insights into the evolution of relations between two close allies and what contributed to the problems which have disturbed their relations in recent years. The subcommittee believes that the study has applicability to relations between the United States and other countries. It is also the hope of the subcommittee that ultimately its report will contribute to a partnership based on mutual trust for the benefit of the people of both the United States and the Republic of Korea.

DONALD M. FRASER,  
*Chairman, Subcommittee on  
International Organizations.*



# CONTENTS

	Page
<b>PART A: INTRODUCTION AND SUMMARY</b> .....	1
Introduction.....	3
Security and political affairs.....	3
Intelligence activities and plans.....	5
Executive branch awareness of questionable Korean activities.....	5
Economic relations.....	7
Educational, information cultural activities.....	8
Commentary.....	9
<b>PART B: REVIEW OF KOREAN-AMERICAN RELATIONS</b> .....	11
Introduction.....	13
The postwar years: 1945-61.....	14
Establishment of the Republic of Korea and the Democratic People's Republic of Korea.....	15
The Korean war.....	15
Post-Korean war years: 1953-60.....	16
Fall of the Rhee government.....	17
Military government: 1961-63.....	18
1961 military coup.....	18
Relations with the United States.....	20
Establishment of the KCIA.....	22
Origin of the Democratic Republican Party.....	23
President Park's first term.....	25
Normalization of relations with Japan.....	25
1967 elections.....	27
The emergence of the Moon Organization.....	28
President Park's second term.....	29
Third-term amendment.....	31
Development of the Korean economy.....	32
Reduction of U.S. Forces in Korea.....	33
Korean efforts to coordinate influence activities.....	33
1971 elections and Korean domestic unrest.....	35
North-South dialog.....	37
Korea under the Yushin constitution.....	38
Reaction to Yushin abroad.....	41
Harassment and kidnaping of Kim Dae Jung.....	42
Tongsun Park and the U.S. Embassy.....	43
Korean question at the United Nations.....	43
The oil crisis.....	44
The Nidecker incidents.....	44
Moon demonstration for the KCIA.....	44
Congress cuts military aid.....	45
The scandal breaks.....	46
<b>PART C: INVESTIGATIVE FINDINGS</b> .....	49
I. Security and political affairs.....	51
The dynamics of the region.....	51
Role of U.S. forces in South Korea.....	52
Factors in modern Korean-American relations.....	53
The Vietnam war.....	53
Blue House raid.....	54
Capture of the U.S.S. Pueblo.....	55
Vance mission.....	57

## VIII

## PART C: INVESTIGATIVE FINDINGS—Continued

## I. Security and political affairs—Continued

	Page
Factors in modern Korean-American relations—Continued	
The Honolulu meeting.....	57
The EC-121 incident.....	58
The Guam doctrine.....	58
Nixon-Park meeting.....	60
1970-71 troop reduction.....	61
Implementation of NSDM 48.....	63
Korea unsure of congressional mood.....	64
Honolulu Defense Ministers Conference.....	65
The Agnew visit.....	66
Covert planning to influence U.S. policy.....	67
The modernization program in Congress.....	69
Carter troop reduction.....	71
Impact of congressional investigations.....	72
The Carter plan.....	72
Defense industries in Korea.....	74
Conclusions.....	74
Special issues: ROK defense production and military self-sufficiency.....	76
Korean defense plant and production capability.....	76
Arms export.....	81
Conclusions and recommendations.....	87
II. Intelligence activities and plans.....	89
Introduction.....	89
Responsibilities of KCIA officers stationed in the United States.....	90
Harassment and intimidation.....	93
Influence activities.....	96
The KCIA's plans for clandestine operations.....	96
Kim Sang Keun's testimony.....	97
KCIA use of "outsiders".....	101
Written KCIA plans.....	102
Documents relating to Tongsun Park's activities.....	102
Annual KCIA plans.....	105
1976 KCIA Plan for Operations in the United States.....	106
Implementation of the 1976 plan.....	108
Additional factors affecting KCIA influence activities.....	110
KCIA reaction to the Korean scandal/conclusion.....	112
III. Executive branch awareness of questionable Korean activities.....	114
Executive branch responsibilities.....	114
Executive branch reporting.....	116
Early influence efforts.....	117
AID-ROK Government attempts to control influence efforts.....	124
U.S. attempts to counter Korean influence efforts.....	129
Continuing Korean Government influence efforts.....	146
The Justice Department's bribery investigation.....	152
Conclusion.....	153
Recommendations concerning intelligence activities and plans and executive branch awareness of questionable Korean activities.....	157
IV. Economic relations.....	158
Introduction.....	158
The Korean economy: 1945-61.....	159
Korean-American economic relations: 1961-63.....	161
U.S. assistance in the 1960's.....	162
AID goals: 1961-63.....	164
AID/ROK relations: 1961-63.....	165
Korean-American economic relations: 1964-69.....	166
Korean implementation of the stabilization program.....	167
1965: A crucial year in Korean-American relations.....	168
The Second Five-Year Plan: 1967.....	169
AID's continued impact on stabilization.....	170

## IX

## PART C: INVESTIGATIVE FINDINGS—Continued

## IV. Economic relations—Continued

## Korean-American economic relations: 1964-69—Continued

	Page
The role of other countries and international organizations .....	171
Military assistance and the economy in the 1960's .....	172
Military assistance program .....	173
Korean troops in Vietnam .....	174
The Korean economy by 1969 .....	177
Special problems in Korean economic development in the 1960's .....	179
Korean-American economic relations in the 1970's .....	181
Introduction .....	181
The Third and Fourth Five-Year Plans .....	182
Rural and urban programs .....	184
General economic slowdown: 1972 .....	185
The balance of payments problems .....	185
Request for U.S. assistance .....	187
U.S. reaction to the Korean request .....	188
Further ROK response: The August emergency measures .....	190
1971 textile agreement .....	191
The oil crisis: 1974-75 .....	196
U.S. evaluation and recommendation .....	197
Korean requests for additional U.S. assistance .....	198
Korean-American trade .....	200
U.S. efforts to liberalize Korea's import policy .....	201
U.S. restrictions on Korean exports .....	202
Generalized system of preferences .....	203
Military assistance in the 1970's .....	203
Conclusion .....	205
Special issues relating to economic relations .....	207
Food-for-peace program .....	207
Public Law 480 and the Defense Department .....	209
Public Law 480 and the White House .....	210
Public Law 480 and the Korean Government .....	210
Others interested in Public Law 480 .....	210
Conclusions and recommendations .....	214
Military procurement problems in Korea .....	215
U.S. procurement system .....	216
Korean measures to control procurement .....	217
The U.S. response .....	219
U.S. procurement systems changes .....	221
Positive results .....	222
Conclusions .....	223
Problems of political funding and U.S. trade and investment in Korea .....	225
Historical background .....	226
The investigation .....	240
The KI questionnaires .....	240
Political payments .....	240
Kickback and rebating arrangements with Korean purchasers .....	248
Questionable payments .....	250
Responses of the U.S. Government to political payments .....	252
Conclusion .....	255
Recommendations .....	258
V. Educational, informational, and cultural activities .....	259
ROK Government information organizations .....	259
Attempts to influence the U.S. academic community .....	262
Grants to U.S. academic institutions .....	263
University of Hawaii .....	265
Western Michigan University .....	266
Harvard University .....	269
Columbia University .....	274
University of California at Berkeley .....	279
University of Washington .....	280
American University .....	283
University of Southern California .....	284

## PART C: INVESTIGATIVE FINDINGS—Continued

## V. Educational, informational, and cultural activities—Continued

	Page
Approaches to U.S. scholars and research institutes .....	284
U.S. scholars .....	285
Research institutes .....	289
Hudson Institute .....	289
Research Institute on Korean Affairs .....	290
Use of academic conferences .....	293
Activities involving Korean students in the United States .....	295
Conclusions and recommendations .....	296
Information .....	300
Efforts to influence news media .....	300
Government control of the media within Korea .....	300
Attempts to influence Korean media in the United States ..	301
Efforts to influence U.S. media .....	305
Voice of America .....	305
Foreign press censorship and harassment in Korea .....	308
Other attempts to influence U.S. media .....	310
Conclusion .....	311
The Moon Organization .....	311
Introduction .....	311
Use of the term "Moon Organization" .....	313
Goals of Moon .....	313
Components of the Moon Organization .....	316
Unification Church .....	316
International Federation for Victory over Communism and Freedom Leadership Foundation .....	319
International Cultural Foundation .....	321
Unification Church International .....	322
Korean Cultural and Freedom Foundation .....	323
Business enterprises .....	325
Issues revealed by the investigation .....	332
Cohesiveness of the Moon Organization .....	332
Interchangeability among organizations, person- nel, and funds .....	334
Political activities by the Moon Organization .....	338
Activities in support of Nixon .....	340
Anti-Japanese demonstration .....	343
Moon Organization participation in election cam- paigns .....	345
Activities at the United Nations .....	346
Moon use of prominent Americans .....	348
Activities of the Korean American Political Associ- ation .....	348
Ties with the ROK Government, agencies, and officials .	351
Early relations with the Korean Government .....	353
Relations with the Park Government .....	354
Moon Organization and ROK Government use and control of the KCFF .....	355
Moon Organization and ROK Government use of Little Angels .....	359
Moon Organization control of the KCFF governing board .....	361
KCFF ties with ROK Government officials .....	362
Moon Organization and the South Korean defense industry .....	366
Other ties to the ROK Government .....	369
Economic activities .....	372
Businesses .....	372
Financial transactions .....	373
Sources of funds .....	373
Use of funds .....	373

XI

PART C: INVESTIGATIVE FINDINGS—Continued	
V. Educational, informational, and cultural activities—Continued	
The Moon Organization—Continued	
Issues revealed by the investigation—Continued	
Economic activities—Continued	Page
Diplomat National Bank .....	376
Sources of DNB funds .....	378
Use of the Diplomat National Bank .....	381
Tongsun Park and the Diplomat National Bank .....	384
Summary .....	385
Conclusions and recommendations .....	387
Executive branch task force .....	390
VI. International agreements between the United States and the Republic of Korea .....	393
VII. Immigration and Naturalization Service issues .....	396
Section 13(c) cases .....	396
Case No. 1: Lee Jai Hyon .....	396
Case No. 2: Hyohk Hoon Han .....	397
Case No. 3: Sung-Han Kim .....	397
Two additional cases .....	397
The section 13(c) problem .....	398
Involvement of the Subcommittee on International Organizations .....	400
Status acquired through personal wealth and other factors .....	400
Political asylum cases .....	402
Conclusions and recommendations .....	404
PART D: SPECIAL PROBLEMS IN THE CONDUCT OF THE INVESTIGATION .....	405
I. Attitude of the Korean Government .....	407
II. The Japanese attitude toward the investigation .....	410
III. Intransigence of the Moon Organization .....	411
IV. House rules and procedures .....	414
Travel .....	414
Quorums .....	414
Need for 1-member deposition authority .....	415
Sworn statements .....	415
Subpena power .....	415
Subpena enforcement and contempt power .....	415
Costs for reproducing documents .....	416
V. Difficulty of tracing financial transactions .....	417
VI. Special problems with Tongsun Park, Kim Hyung Wook, and Kim Ki Wan .....	421
Tongsun Park .....	421
Kim Hyung Wook .....	422
Kim Ki Wan .....	424
PART E: ACTIVITIES OF INFLUENCE BY FOREIGN GOVERNMENTS .....	427
Legal lobbying .....	429
Illegal influencing .....	430
Registration of foreign agents .....	431
Conclusions .....	432
PART F: ADDITIONAL VIEWS .....	435
PART G: GLOSSARY .....	441
I. Organizations and terms .....	443
II. Names .....	444



## PREFACE

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The report of the Investigation of Korean-American Relations is organized into six parts as follows:

*Part A: Introduction and Summary.*—Outlines the origin of the investigation and the major findings, with page references to the main body of the text where further details may be found.

*Part B: Review of Korean-American Relations.*—Describes briefly the history of Korean-American relations from 1945 on, as background to the events of the 1970's which led to the investigation. Certain of the findings of the investigation are incorporated in the review so that the reader may see their historic context.

*Part C: Investigative Findings, Conclusions, and Recommendations.*—Details the subjects investigated, the findings of the investigation, and the subcommittee's analysis, conclusions, and recommendations. This part contains seven sections. The first five (Security and Political Affairs; Intelligence Activities and Plans; Executive Branch Awareness of Questionable Korean Activities; Economic Relations; and Educational, Informational, and Cultural Activities) reflect the major subjects specified in the investigation's mandate. The final two sections (International Agreements between the United States and the Republic of Korea and Immigration and Naturalization Service Issues) deal with matters related to the mandated subjects which the subcommittee believed warranted separate mention.

*Part D: Special Problems in the Conduct of the Investigation.*—Discusses six factors which affected the process or outcome of the investigation (Attitude of the Korean Government; The Japanese Attitude Toward the Investigation; Intransigence of the Moon Organization; House Rules and Procedures; Difficulty of Tracing Financial Transactions; and Special Problems with Tongsun Park, Kim Hyung Wook, and Kim Ki Wan.) In some cases, the subcommittee made recommendations that it believed would facilitate future investigations by the Congress.

*Part E: Activities of Influence by Foreign Governments.*—Addresses the general concept of lobbying by foreign governments and other attempts to influence the United States in favor of their policies, and considers which activities are acceptable or legal, improper or illegal. The Department of State submitted a statement to the subcommittee on this subject, which is included.

*Part F: Additional Views by the Minority.*—States additional views by the minority.

*Part G: Glossary.*—Contains brief descriptions of persons and organizations.

Published in a separate volume are the appendixes. Appendix A provides a more complete description of the origin and conduct of

the investigation, including short biographies of the investigative staff. Appendix B contains the authorizing and funding resolutions for the investigation. Appendix B consists of a number of the documents cited in the text.

Also available, but published separately from this final report and appendixes, are the transcripts of subcommittee hearings and documents submitted for the record. A list of these and other key congressional reports is contained in appendix C.<sup>1</sup>

Several matters concerning the content of the final report should be noted.

*Confidentiality of sources.*—The findings were derived from extensive review of documents and numerous interviews. Much of the material was classified; many of the persons interviewed requested anonymity. Where the subcommittee was unable to cite a specific source for the reason, the footnote reads "classified material" or "subcommittee staff interview." In most instances, information was verified by other sources so that it has been possible to provide at least one specific reference.

*Korean names.*—For the most part, Korean names have been romanized according to the spelling used by the person. Korean custom is to put the family name first, with given names following. The subcommittee followed this practice except in the cases of well-known persons such as Tongsun Park, Sun Myung Moon, and Hancho Kim, where the order is reversed to the usual English order.

*Documents in Korean.*—A number of the documents reviewed by the subcommittee were in the Korean language. They were translated either by staff investigators Edward J. Baker and Edwin H. Gragert or other experts.

The subcommittee extends special thanks to the following executive branch agencies for their valuable cooperation: the Securities and Exchange Commission, the Department of State, the Agency for International Development, and the Department of Agriculture. The subcommittee noted separately its appreciation of the extensive help it received from elements of the intelligence community. Also, the subcommittee is deeply grateful to the hundreds of private individuals whose voluntary assistance was of crucial importance.

<sup>1</sup> Because of the numerous references to subcommittee hearings and certain other key congressional reports, their full citations have been abbreviated after the first reference. Abbreviations are noted at the first reference.

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**PART A**

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**INTRODUCTION AND SUMMARY**

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## INTRODUCTION

The Subcommittee on International Organizations was authorized by the Committee on International Relations on February 3, 1977, to "conduct a full and complete investigation and study of \* \* \* all aspects of the political, military, intelligence, economic, educational, and informational relationships, between the Republic of Korea and \* \* \* the United States."<sup>1</sup>

The subcommittee first took an active interest in Korean-American relations in response to reports of systematic violations of international human rights standards in South Korea by the Government of President Park Chung Hee. During a hearing on that subject on June 10, 1975, a former senior Korean diplomat, Lee Jai Hyon, testified that the KCIA had a plan to buy support for the South Korean Government and counter criticism of President Park's policies in the United States.<sup>2</sup> When the Department of Justice took no active interest in investigating Dr. Lee's allegations, the subcommittee undertook a small-scale inquiry of its own throughout 1976. There appeared to be strong indications of improper or illegal Korean Government activities in the United States, so the subcommittee sought and obtained authorization for the Investigation of Korean-American Relations.

The findings of the investigation are the result of 3 years of study by the subcommittee. The subcommittee necessarily relied very heavily on the investigative staff for developing the information. Between April 4, 1977, and October 31, 1978, 1,563 interviews were conducted in 28 States and 11 countries; 123 subpoenas were issued; thousands of documents were examined from Government agencies, private organizations, and individuals; and 20 hearings were held at which 37 witnesses testified, all under oath. Complete findings, conclusions, and recommendations appear between pages 49 and 404. The following points are a summary of the findings, with page numbers locating the detailed supporting narrative in the report.

### SECURITY AND POLITICAL AFFAIRS

(1) The Government of the Republic of Korea (ROK) resorted to extraordinary measures to influence American policy and opinion for two reasons:

(a) The Government perceived a waning of the U.S. commitment to defend South Korea. In 1968, it regarded as too weak the American responses to the North Korean commando raid on the Blue

<sup>1</sup> Resolution by the Committee on International Relations instructing the Subcommittee on International Organizations to inquire into certain matters respecting relations between the United States and the Republic of Korea, Feb. 3, 1977. For full text of the resolution see appendix A.

<sup>2</sup> "Human Rights in South Korea and the Philippines: Implications for U.S. Policy," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 94th Cong., 1st sess., May 20, 22, and June 3, 5, 10, 12, 17, and 24, 1975, pp. 179-183.

House, the Presidential Mansion, and capture of the U.S.S. *Pueblo*. More importantly, it was alarmed over the withdrawal of 20,000 U.S. troops from Korea and was uncertain that Congress would appropriate funds for the \$1.5 billion compensatory aid package offered by the Nixon administration for modernizing the ROK Armed Forces [pp. 67-71].

(b) After President Park Chung Hee instituted measures of strict internal and political control in 1972, the image of the South Korean Government was damaged in the United States.

(2) The initial objectives of South Korea's influence operations were to insure congressional approval of the \$1.5 billion military aid package between 1971 and 1975 and to prevent further withdrawal of U.S. troops. From 1972 onward, there was another important objective—to convince Americans that Park's new system of government was justified for reasons of national security and economic development [pp. 70-71].

(3) In the fall of 1970, meetings were held in the Blue House, some attended by President Park, to discuss centralizing and coordinating activities in the United States designed to influence American policy and officials in favor of South Korean policies. At the first meeting, a plan was proposed for putting Tongsun Park at the head of all ROK lobbying in the United States. Those to be placed under Tongsun Park's control were: Lee Sang Ho, also known as Yang Doo Won, KCIA representative in Washington; Kang Young Hoon of the Research Institute on Korean Affairs; and Pak Bo Hi of the Korean Cultural and Freedom Foundation. The plan to put Tongsun Park in charge was abandoned because of factional rivalries and President Park's desire to maintain centralized control through regular official channels. A special Blue House review panel was established for the latter purpose. However, it was unable to centralize the activities due to the tangle of Koreans involved in lobbying in Washington for reasons of both patriotism and personal profit [pp. 124-125].

(4) Government officials in Seoul with responsibilities for Washington lobbying included Prime Minister Chung Il Kwon, KCIA Director Lee Hu Rak, and Presidential aide Park Chong Kyu. The separate lobbying operations sometimes competed with each other. Generally, they sought to use parliamentarians, scholars, businessmen, and other persons of potential influence. There were frequent paid trips to Korea. In Washington, Tongsun Park's George Town Club, established with KCIA assistance, became a lobbying center for the Korean Government [p. 125ff].

(5) In Seoul in 1974, Presidential aide Park Chong Kyu had an envelope containing \$10,000 delivered to John Nidecker, an aide to President Nixon. U.S. Ambassador Philip Habib returned the money at Nidecker's request. A few months later, Nidecker received from Korean National Assemblyman Row Chin Hwan an offer for congressional election campaign contributions to candidates to be chosen by the White House. Nidecker declined [pp. 150-151].

(6) By 1975, the Korean Government judged Tongsun Park's usefulness to be declining as a result of publicity alleging ties between Park and the Government. Accordingly, Hancho Kim, a Baltimore businessman, was chosen to replace Park as a lobbyist [p. 151].

(7) The South Korean Government desired to export weapons made in Korea under U.S. license. Between 1974 and 1978, requests were made to the State Department for permission to export to 11 countries; most were not approved. Between 1976 and 1978, Tong-sun Park negotiated unsuccessfully with an American arms producer for a joint venture to export ROK-produced weapons which required U.S. Government approval [pp. 82-83; 85-86].

#### INTELLIGENCE ACTIVITIES AND PLANS

(1) Consistent with President Park's support for influence activities in the United States, the KCIA devised plans—both written and unwritten—for operations, including:

(a) Recruitment of Americans to advocate South Korea's policies, especially Members of Congress, academicians, journalists, businessmen, and clergymen;

(b) Visits to Korea by influential Americans;

(c) Countering of criticism of the Park Government among Koreans living in the United States, partly by infiltrating the Korean community with undercover agents;

(d) Use of commissions from U.S.-financed rice sales for KCIA activities;

(e) Prevention and countering of North Korean activities in the United States; and

(f) Obtaining U.S. Government classified information by cultivating officials [pp. 96-108].

(2) The KCIA sought to increase its manpower by using other than regular KCIA officials. Persons used because of their special contacts included: Tongsun Park, who was acquainted with Members of Congress and other Government officials; Pak Bo Hi, a key figure in the Moon Organization; Kang Young Hoon, who had ties to academia through his research institute; Suzi Park Thomson, who was employed in Speaker Carl Albert's office; and Kim Kwang, who was employed in Congressman Cornelius Gallagher's office. In 1973, the senior officers of the Embassy were assigned tasks for the KCIA plan. The 1976 KCIA plan identified 65 persons in the United States as targets for influencing [pp. 93-96; 99-101; 109].

(3) As a result of publicity about the Korean scandal and the defection of KCIA officer Kim Sang Keun, the KCIA drastically reduced its personnel and activities in the United States in late 1976 and early 1977 [pp. 112-113].

(4) The U.S. intelligence community filed reports on KCIA plans and activities from the outset of the influence campaign and disseminated the information to appropriate agencies of the executive branch [pp. 116-117].

#### EXECUTIVE BRANCH AWARENESS OF QUESTIONABLE KOREAN ACTIVITIES

(1) By 1971, appropriate agencies of the executive branch had sufficient knowledge of questionable Korean Government activities in this country to warrant taking action toward halting the activities and preventing recurrences. Instead, the activities were al-

lowed to continue until a major scandal erupted 5 years later [p. 153].

(2) Failure to take effective action may be attributed to an attitude of permissiveness toward South Korea on the part of high executive branch officials. The attitude was a reflection of the overriding priorities in U.S. policy toward South Korea in the early 1970's: to keep Korean troops engaged in the war in Vietnam; to accomplish troop reductions in South Korea, with minimum consequences for Korean-American relations; and to maintain credibility for the U.S. position in Korea as an unyielding commitment to resist the threat of Communist aggression [p. 155].

(3) Two executive branch agencies attempted to take action against questionable Korean activities, but they proved unsuccessful. In 1971, the Department of State requested that the FBI investigate Radio of Free Asia (a project of the Moon Organization), Tongsun Park's activities, and other Korean matters in order to determine if the Foreign Agents Registration Act had been violated. The FBI concluded that there had been no violations after questioning only one person, Pak Bo Hi, an official of the Moon Organization. In 1968 and 1972, the Department of Agriculture asked other executive branch agencies for information on Tongsun Park in order to determine if he had ties to the Korean Government which would have made him ineligible to serve as a selling agent for food-for-peace rice sales and ineligible for the millions of dollars in commissions he had received. The responses to Agriculture's inquiry indicated no relationship between Tongsun Park and the South Korean Government [pp. 121-122; 129ff].

(4) In 1971 and 1972, FBI Director J. Edgar Hoover sent letters to Dr. Henry Kissinger at the White House and Attorney General John Mitchell containing the following information:

(a) A Congressman and his aide were cooperating with the KCIA, and the Congressman had received "payoffs" for assisting the Korean Government before a House committee.

(b) Two named aides to Congressmen were then connected with the KCIA;

(c) Tongsun Park had made contributions to a named Congressman from money received in rice sales, and Park was acting under KCIA direction, although not a KCIA employee;

(d) The South Korean Government had spent large sums to develop control over journalists in the United States;

(e) The Blue House directed that several hundred thousand dollars be contributed to the Democratic Party; and

(f) A named Congressman, who had sought campaign contributions from President Park, told President Park that Tongsun Park should not only be put in charge of influence activities in the United States, but should also be the agent for Korean rice purchases from the United States [pp. 130-134; 140].

Kissinger recalled having seen "the letter that speaks about the alleged bribery of one Congressman who was later indicted."<sup>3</sup> Mitchell recalled seeing the information about the congressional

<sup>3</sup> "Investigation of Korean-American Relations," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 95th Cong., 2d sess., part IV, Mar. 15, 16, 21, 22; Apr. 11, 20; and June 20, 1978 (hereinafter referred to as "KI-4"), p. 242.

aides being connected with the KCIA.<sup>4</sup> Kissinger and Mitchell noted that the letters also stated that the intelligence agency providing the information had requested no investigative action be taken due to the high sensitivity of the intelligence information [pp. 140-142].

(5) The Department of State became concerned in 1973 about KCIA instigation of harassment of Koreans living in the United States, the most serious example of which was the physical disruption of a rally in San Francisco for Korean opposition politician Kim Dae Jung. As a result, the Department requested that KCIA station chief Lee Sang Ho be transferred from the United States since he was regarded as the person most responsible for the harassment. However, harassment continued after Lee's departure [pp. 147-149].

(6) In 1975, certain intelligence information came to the attention of Philip Habib, then Assistant Secretary of State for East Asian and Pacific Affairs. The information implied extralegal attempts to influence key Americans, especially Members of Congress, and congressional offices. Habib showed the information to Secretary of State Kissinger, who subsequently consulted with President Ford. The President directed that the information be transmitted to the Department of Justice for action, resulting in a full-scale investigation beginning in 1976 [pp.151-153].

#### ECONOMIC RELATIONS

(1) The rapid transformation of the South Korean economy is one of the world's greatest examples of economic development. Between 1961 and 1977, the annual rate of growth averaged more than 9 percent. The achievement is a tribute to the industriousness of the Korean people, effective implementation of planning by the Government, and cooperation between the United States and the Republic of Korea.

(2) U.S. assistance played an indispensable role in Korean economic development. In the late 1950's, the economy depended on U.S. assistance for survival. In the 1960's, military assistance freed South Korea from the burden of heavy defense spending. Five-year plans were formulated and carried out with American advice, and development projects were funded through AID.

(3) Korean participation in the Vietnam war brought approximately \$1 billion worth of benefits to the economy.

(4) Assistance under the food-for-peace program (Public Law 480) helped fill food needs and provided budgetary support but may have functioned as a disincentive to agricultural development. By 1970, when the economy was sufficiently developed to phase out Public Law 480, the program was abused by maintaining high levels of assistance for nondevelopmental purposes, thus undermining its legislative intent. This resulted from: The Defense Department's desire to continue supporting the Korean defense budget; the White House's desire to restrict textile imports from Korea; the Korean Government's desire to hold down the price of rice paid by politically restive workers; Congressmen Passman's and Hanna's desire to sell their States' surplus rice; and the desire for rice

<sup>4</sup> KI-4, p. 144.

commissions on the part of Tongsun Park, the South Korean ruling party, and the KCIA, the latter for its activities in the United States.

(5) The Korean Government negated the competitive bidding practices of the U.S. Government by keeping contracts for U.S. military procurement artificially high, at a cost of millions of dollars to the U.S. Treasury. American efforts to control the abuse of military procurement contracting apparently succeeded in 1976 with the establishment of a new system called Controlled Selected Single Source Procurement.

(6) At least \$8.5 million of American corporate funds were diverted to the ruling party in connection with the 1971 elections in Korea. The practice of obtaining payments from American business was widespread in the 1960's and, though diminished, continued into the 1970's [p. 241].

(7) American support for Korean economic self-sufficiency laid the groundwork for conflicts between the two countries. In trade relations, South Korea's successful export economy has become a matter of concern with regard to potential effects on the U.S. economy.

#### EDUCATIONAL, INFORMATIONAL, AND CULTURAL ACTIVITIES

(1) In 1970, a Korean Government official attempted to bribe an official of the Voice of America, apparently for the purpose of limiting unfavorable news about the Government [p. 307].

(2) The KCIA established and funded Korean-American newspapers and broadcasting in the United States for the purpose of improving the Government's image. Publishers of critical newspapers were subjected to KCIA harassment and intimidation, including advertising boycotts and threats to relatives in Korea [p. 301ff].

(3) The ROK Government established the Research Institute on Korean Affairs in Silver Spring, Md. for the purpose of extending pro-Korean Government influence within the American academic community. Total funding from the KCIA and other agencies of the Government amounted to \$270,000 [pp. 289-293].

(4) The Korean Government made financial grants, or directed that grants be made, to at least four American universities for the purpose of funding Korean studies programs. The total amount made available was \$2.4 million. The universities accepted the grants without conditions limiting academic freedom, despite Korean attempts to influence the use of the funds for political purposes [pp. 263-284].

(5) The numerous political, business, cultural, and religious activities associated with Rev. Sun Myung Moon constitute one organization, designated by the subcommittee as the "Moon Organization" [p. 313].

(a) Sun Myung Moon exercises substantial control over his organization and has defined its goals, one of which is the establishment of a worldwide government controlled by Moon and his followers in which the separation of church and state would be abolished. Among the components of the Moon Organization in the United States are the Unification Church, the Korean Cultural and Freedom Foundation, News World (a New York newspaper), the

Freedom Leadership Foundation, and fishing and seafood businesses in Alabama, Massachusetts, and Virginia [pp. 316-332].

(b) In pursuit of its own goals, the Moon Organization at various times has submitted to the control of, and has coordinated its activities with, the Korean Government [pp. 338-355].

(c) At the behest of the KCIA, the Moon Organization planned and organized an anti-Japanese political demonstration in Washington in 1974. On orders from the KCIA, the demonstration was called off just before it was to have begun [pp. 343-345].

(d) Tong Il Industries Co., a Korean component of the Moon Organization which manufactures parts for the M-16 rifle for the Korean Government, negotiated with the American patent holder for permission to export Korean-made M-16 rifles, apparently acting on behalf of the Korean Government [p. 83 ].

(e) Pak Bo Hi, an official of the Moon Organization, acted as a conduit for a KCIA payment of \$3,000 to a Japanese Unification Church member [pp. 369-370].

(f) The Moon Organization directly provided at least \$1,218,000 to purchase stock in the Diplomat National Bank of Washington, approximately 50 percent of the bank's total capitalization. This investment, an apparent violation of banking laws, was consistent with Moon's stated goal to "establish an international bank" to keep currency "freely coming back and forth." Pak Bo Hi testified that at least \$838,000 of the total investment came from the "Unification Church Pension Fund International." The subcommittee found no supporting evidence that such a fund ever existed. (Tongsun Park also purchased \$250,000 of stock in the bank, in apparent violation of securities law. He acknowledged that his intention was "to own" the bank eventually. The subcommittee found no evidence of collusion between Tongsun Park and the Moon Organization in the purchase of bank stock.) [pp. 378-381]

#### COMMENTARY

The South Korean influence campaign caused a setback in Korean-American relations by engendering distrust between the two nations. The campaign was born in overreaction and died in counterproductivity for Korea. U.S. troop levels in Korea and the ultimate approval by Congress of the \$1.5 billion in aid for military modernization appeared not to have been affected materially by all the money, effort, and risk invested by the Park Government. The other objective of the influence campaign—to convince Americans that Park's authoritarian government was justified—clearly was not achieved. Two Presidents of the United States expressed criticism of Park's internal political policies, and in the only instance when Congress reduced military assistance funding specifically for South Korea, the reason was violations of human rights.

South Korean leaders were mistaken if they believed that in the long run, Americans would tolerate conduct such as bribing officials, buying influence among journalists and professors, extorting money from American companies, rigging military procurement contracts, and harassing persons in the United States. On the other hand, the U.S. Government did little to discourage such conduct. The executive branch offered a military aid package to compensate

for lowering the level of U.S. forces in Korea, but emphasized that since Congress is an independent branch of the Government, actual funding of the aid program could not be guaranteed. The Koreans decided to take their case directly to Congress. When executive branch officials became aware of highly questionable approaches to Congress, their inaction served as tacit encouragement to the Koreans, and the influence campaign gained momentum. Similarly, the only measure to deal with widespread harassment and intimidation of Korean-Americans was the State Department's expulsion of one KCIA official, and the harassment continued. With respect to payments to Korean politicians by American businesses, the U.S. Embassy's limited interest and knowledge led businessmen to conclude that they could not expect much help from their Government. In view of the dominant influence the United States has exercised in Korea, the U.S. Government must bear some responsibility for the effects of its own inactions, as well as its actions.

The Korean influence campaign can serve as a case study for relations with other countries generally regarded as friendly. Korea surely is not the only such country to have engaged in improper and illegal activities in the United States, although the subcommittee did not investigate relations with other countries. The openness of the American system leaves institutions vulnerable to penetration and possible manipulation by foreign influence. In the Korean case, the system failed because of permissiveness, bureaucratic shortcomings, and the low priority given to monitoring the activities of non-Communist governments. The Department of State never drew a clear line as to what kinds of activities were unacceptable. In reply to a request by the subcommittee, the Department declined to state guidelines setting forth the acceptable limits of lobbying activities by foreign governments. The FBI's capacity to monitor the influence activities of non-Communist governments remains negligible, and apparently enforcement of the Foreign Agents Registration Act is still accorded low priority in the Department of Justice. Indications of activities by other governments similar to those in the Korean case necessitate more attention by the U.S. Government in the future.

The relationship between the United States and the Republic of Korea is the story of a successful friendship leading to conflicts. The frequent reaffirmations of traditional friendship and close alliance sometimes created mistaken expectations that the two countries would always support each other's policies. In fact, as South Korea became increasingly self-sufficient, divergencies between American and Korean policies have become wider. Economic strength has made South Korea a formidable competitor in certain sectors of the U.S. economy. Military strength and diminishing U.S. ground troop presence are leading South Korea to become a sizable arms manufacturer interested in exporting weaponry and developing its own nuclear arms capability. Military and economic strength together have made President Park less and less receptive to American encouragement of democratic government. The hope for the future is that the conflicts of today and tomorrow will give way over time to the kind of mature relationships the United States enjoys with the industrial democracies.

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## **PART B**

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### **REVIEW OF KOREAN-AMERICAN RELATIONS**

This historical review covers the period from 1945, when American occupation forces arrived in Korea, to the end of 1976, when the Korean influence scandal became widely known. Some of the findings of the Investigation of Korean-American Relations appear chronologically along with previously known facts.

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## INTRODUCTION

The Korean people have one of the world's longest histories as a unified people with a homogeneous language and culture. Korea has existed for over 1,000 years as a distinct nation with a strong tradition of national identity. The 33-year division between north and south is an artificial phenomenon to Koreans, and its origin is political rather than ethnic, linguistic, or cultural.

As is frequently noted, Korea's strategic geopolitical location places it in a precarious position. Korea borders China and the Soviet Union to the north and lies within sight of the Japanese islands, 50 miles east across the Straits of Korea. All too often, the interests of larger nations in Northeast Asia have been fought out on the Korean Peninsula. In modern history, three major wars have taken place there—in 1894, 1904, and 1950.

Korea's first official diplomatic relations with a Western nation came in 1882. At that time, the United States established relations and maintained a full diplomatic presence in Korea through 1905. In that year, Korea became a protectorate of Japan, and the U.S. Legation was reduced to the status of a consulate. The change was based upon an agreement by which Japan recognized American interests in the Philippines and the United States recognized Japanese interests in Korea. Japan annexed Korea in 1910.

Japanese rule in Korea was characterized by economic exploitation, sharp discrimination against Koreans, and occasional brutal suppression of displays of Korean nationalism. During the war in China and the Pacific from the late 1930's through 1945, a futile attempt was made to assimilate Koreans forcibly by outlawing the use and study of the Korean language and denying the existence of Korean culture. Most Koreans were forced to adopt Japanese names; Korean laborers were taken to Japan to work in nonstrategic industries; and Koreans were subject to conscription into the Japanese Army. The objective of economic development was to provide the Japanese Empire with food, raw materials, and markets for Japanese goods.

As brutal as the colonial experience was, there were some positive elements in the long run. Efficient systems of transportation and communications were established, still in use today. Basic industries were established, mostly in the north where the bulk of raw materials and hydroelectric power were found. The southern region was the peninsula's granary and commercial center, complementing the industrial north. Another legacy of the colonial period was the emergence of some skilled labor and a small but well-trained white-collar managerial class. Postwar Korea was able to capitalize on those skills.

## THE POSTWAR YEARS: 1945-61

Liberation from Japanese rule came on August 15, 1945, with the Japanese surrender to the Allied Forces ending the Second World War. Before the war ended, the decision to divide the Korean Peninsula at the 38th parallel was made in the Pentagon and proposed to the Soviet Union as a means of joint U.S.-U.S.S.R. acceptance of Japanese surrender on the Korean Peninsula.<sup>1</sup> This temporary division became permanent as cold war thinking came to dominate the policies of the World War II Allies in the immediate postwar period.

Economically, the immediate postwar years in the southern region of Korea were harsh. Its economy, long dependent on Japan and dismembered by the division of the country, was in shambles. Liberation had resulted in an influx of millions of Koreans from China, Japan, and the U.S.S.R. who had been dislocated during the 36 years of colonial rule. Most returned to their hometowns in southern Korea, the area traditionally most densely populated and from which most Koreans had emigrated in prewar years.

The economic depression was exacerbated by the failure of the U.S. military government to effect meaningful nationwide land reform, control the extremely high rate of inflation, or stimulate agricultural and industrial production. U.S. economic assistance took the form of relief, consisting principally of food and basic necessities. Further, because the military government failed to settle disputes over formerly Japanese-owned commercial, industrial, and agricultural assets, much of the preexisting economic base was underused.

Politically, too, there were problems. Most Korean leaders at that time faced a severe credibility crisis. Many had collaborated with the Japanese colonial government, even prospering under it. Many of those who did have good nationalist records were considered to be leftwing. The American military government, established shortly after the troops arrived in the fall of 1945, chose to avoid such persons in favor of leaders of a more conservative bent. One such individual was Syngman Rhee. Rhee was brought back to Korea in late 1945 from the United States, where he had been living in exile during Japanese rule. The U.S. military government saw Rhee as a potential leader, one who could provide stability to an area ripe with political unrest. The United States was particularly concerned with halting in Korea what was perceived to be Soviet expansion in Asia. In the view of the U.S. military government, this could best be accomplished through the establishment of a viable non-Communist state in the southern half of the peninsula.

On November 14, 1947, the United Nations approved a U.S. resolution calling for general elections, to be held throughout the Korean Peninsula the following year, under the supervision of the U.N. Temporary Commission on Korea. Since U.N. officials were denied access to areas north of the 38th parallel, the U.S. military government decided to hold elections in the area under its control.

<sup>1</sup> Truman, Harry S, *Memoirs by Harry S Truman: Year of Decisions* (Garden City, N.J.: Doubleday, 1955), vol. I, pp. 444-445.

Many Koreans boycotted these elections on the grounds that they might perpetuate the division of the Korean Peninsula.

ESTABLISHMENT OF THE REPUBLIC OF KOREA AND THE DEMOCRATIC  
PEOPLE'S REPUBLIC OF KOREA

Elections for a National Assembly were held south of the 38th parallel on May 10, 1948. In July, Syngman Rhee was elected President of the Republic of Korea (ROK) by a vote of the National Assembly. The ROK was officially established on August 15, the anniversary of liberation from Japanese colonial rule.

In October 1948, the Democratic People's Republic of Korea (DPRK) was established in the northern half of the peninsula under Kim Il Sung, a former anti-Japanese guerrilla fighter and former officer in the Soviet Army, who had accompanied the Soviet troops into Korea in 1945. Kim was still the head of state of the DPRK in 1978.

Both the ROK and the DPRK maintained that they were the only legitimate government of the entire Korean Peninsula. This resulted in sharp competition between the two governments for international recognition over the past 30 years.

During the late 1940's, there were scattered incidents of unrest in South Korea caused by dissatisfaction over the economic situation and against the political leaders held responsible for it. One such incident occurred in the area of Yosu in southwest Korea in October 1948. Military personnel there staged a brief leftwing uprising. One of them was a colonel named Park Chung Hee. The uprising was put down within 1 week after considerable loss of life. Park's participation in this incident was to create a problem in Korean-American relations in the days following the coup which brought him to power in 1961.

Most American troops were withdrawn in May and June of 1949. At approximately the same time, all U.S.S.R. forces were withdrawn from DPRK.

THE KOREAN WAR

The outbreak of the Korean war on June 25, 1950, was perceived by Washington to be part of a worldwide pattern of expansion by Communist forces, the most recent example of which had been Mao Tse Tung's victory in China in 1949.

On January 12, 1950, Secretary of State Dean Acheson had stated that the American defense perimeter extended south from Japan through the Ryukyu Islands, thus excluding the ROK. Some historians and many Koreans have believed that North Korea perceived this statement to mean the United States would not intervene in a war on the Korean Peninsula.<sup>2</sup>

At the time of the outbreak of the war, the United States and the ROK had no security treaty insuring U.S. military intervention in case of attack. The U.S. Government therefore took the issue to the United Nations Security Council and, in the absence of the U.S.S.R. delegate, obtained sanction for and assistance in providing military aid and troops to the ROK. A United Nations Command (UNC) was established at the recommendation of the Security

<sup>2</sup> Kim, Se-Jin, Documents on Korean-American Relations, 1943-76 (Seoul, Korea: Research Center for Peace and Unification, 1976), pp. 83-89.

Council in June 1950 and assumed operational control over all military activity on the peninsula. In the beginning, the UNC was placed under the command of the Commander-in-Chief of the U.S. 8th Army in Korea, and that was still the situation in 1978.

The Korean war was brutal and devastating for both north and south. Large areas of each, including their capitals, Pyongyang and Seoul, were occupied by the opposing forces, resulting in heavy damage to most major cities and transportation and communications systems. Large numbers of civilians were displaced as they fled the fighting. The Korean war also brought many ROK military leaders to the United States for training, forging personal bonds with American military personnel and the United States generally.

The Korean war officially ended on July 27, 1953, with the signing of an armistice by representatives of the United States, the DPRK, and the People's Republic of China (PRC), the culmination of 2 years of difficult truce negotiations. President Rhee was persuaded to accept the truce (although he would not sign it) only after the United States agreed to a U.S.-ROK mutual defense treaty, a visit by the U.S. Secretary of State, and a pledge of \$1 billion for reconstruction. As of 1978, the ROK still had not signed the armistice.

#### POST-KOREAN WAR YEARS: 1953-60

Throughout his administration, Rhee attempted to centralize and consolidate his political power by intimidating the opposition through the use of police force and rightwing student groups and by subverting the legislative process. Rhee was at somewhat of a disadvantage vis-a-vis political opponents because he lacked a natural constituency in Korea. Having been out of Korea for much of his life, he had no ties to any particular region of the country. Educated in the United States, Rhee also had none of the close personal relationships normally formed among Koreans during student years. Throughout the 1950's, Rhee was faced with a faction-ridden but still formidable opposition from politicians both within and outside the National Assembly. The opposition forces were aided by the mass media which frequently asserted its independence by publicizing opposition positions. The opposition was at a serious disadvantage, however, because Rhee maintained a virtual monopoly over political spoils, the prerogative of his strong Presidency. Being victims of this system, National Assembly members frequently abandoned party loyalty in the scramble for political and economic rewards.

The discontent in urban areas during the 1950's which stimulated the growth of opposition groups was accompanied by a proliferation of new social and religious organizations. The Holy Spirit Association for the Unification of World Christianity (Unification Church) dates back to this period. It was founded in 1954 by Sun Myung Moon.

In both his economic and foreign policy, Rhee was extremely reactionary. He resisted initiatives which would have upset the status quo on the peninsula, such as land reform and development planning. His goal seemed to have been only to restore the prewar

economy. Rhee was sure that reunification would be achieved and would make industrial expansion in the south redundant.

During these years, U.S. economic assistance again focused primarily on relief, and in general there was little direct investment by foreigners. The one important economic change was land reform and redistribution, finally implemented, without enthusiasm from President Rhee, in 1953.

Subsequent to 1953, U.S. policy in Korea was concerned with three main issues: (1) The security of the ROK against new hostilities, including any that might be provoked by rash South Korean initiatives; (2) reconstruction of the economy; and (3) the development of a free, representative, and stable government. Growing out of these concerns was the desire that Korea and Japan normalize relations. This possibility was publicly denounced and staunchly rejected by President Rhee throughout his Presidency.

During the 1950's, military and diplomatic confrontation between the ROK and the DPRK continued. The United States was determined to insure the security of the ROK against attack. Korean security during this period was bolstered by the Mutual Defense Treaty, the presence of sizable numbers of U.S. troops, and large amounts of U.S. military assistance.

#### FALL OF THE RHEE GOVERNMENT

President Rhee's persistent efforts to manipulate the electoral process reached a peak in 1960. The March Presidential election was marred by widespread irregularities, and on April 19, thousands of students massed in front of the National Assembly, demanding his resignation and a new election. The political crisis became more tense with daily demonstrations throughout Korea. The climax of the student revolution came on April 19 when nearly 200 students were killed by police gunfire as they marched on the Presidential Palace. Rhee's fate was determined by the fact that the army refused to use force against the students. On April 26, Rhee offered to hold new elections and resign if the people so desired. The National Assembly, meeting in emergency session, approved a resolution calling for his resignation. He did so on April 27.

The amended constitution provided for a parliamentary system under a Prime Minister, elected by the National Assembly, and a President with less power than Rhee had had. New elections were held in July. Assemblyman Chang Myon (John M. Chang) became Prime Minister, while Yun Po Sun was elected President. The United States immediately recognized the new government and offered economic assistance. The Chang Government, together with U.S. economic advisers, instituted long-term economic planning, much of which was later incorporated into the economic plans of the military government after 1961.

During the 9 months of the Chang Myon Government, there were few restrictions placed on political activity, freedom of expression, and the press. Approaches toward reunification—a topic which had been taboo under the Rhee Government—were aired and debated openly. Some elements of the ROK military were fearful that the DPRK might perceive this as a sign of weakness

and launch another attack. No buildup in the DPRK was observed by the United States at this time, however.

### MILITARY GOVERNMENT: 1961-63

In late April 1961, the U.S. intelligence community was aware that a significant group within the ROK Army, probably led by Park Chung Hee, was reportedly planning a coup. It was believed that there was a definite threat of a takeover. However, political stability, including the absence of civil disorder and a strengthened police force, was such that a successful coup attempt did not appear likely. Prime Minister Chang Myon reportedly shrugged off the rumors of a coup.

#### 1961 MILITARY COUP

The U.S. Government reports proved correct. Early in the morning of May 16, 1961, a force of 3,500 troops overcame token resistance and quickly secured the radio stations, powerplants, police stations, and important public buildings. At 5 a.m., the military takeover was announced in the name of Lt. Gen. Chang Do Young, Army Chief of Staff.

The nearly bloodless military coup was the culmination of long-festered dissatisfaction among some elements in the military, especially members of the 8th class of the Korean Military Academy. In particular, they were bothered by obstacles to rapid promotion and the factionalism and corruption of many of the senior officers.

Although the coup was announced in the name of Lt. Gen. Chang Do Young, it soon became clear that the principal figures were Maj. Gen. Park Chung Hee, the oldest and the highest ranking of the activists, and Lt. Col. (Ret.) Kim Jong Pil, the chief organizer and planner. Apparently General Chang was forced to take part in the coup to prevent resistance within the Army.<sup>3</sup> The core group contained a number of members of the 8th class, including Park Chong Kyu, Kim Hyung Wook, and Suk Jung Sun. Aside from strong ties growing out of the Korean Military Academy, many members had also served together in the G-2 military intelligence unit.

Park Chung Hee was born in a rural village in southeastern Korea in 1917. After graduating from normal school, he attended the Japanese military academies in Manchuria and Tokyo and then served as an officer in the Japanese Kwangtung Army. In 1946, he attended the Korean Military Academy, a member of the 2d class. Sentenced to death in 1948 for participation in the Communist-led Yosu rebellion, he was eventually released through the intervention of Gen. Paek Sun Yop, chief of G-2 military intelligence. He was given a job as a civilian intelligence officer at G-2 in Army headquarters. There he met Kim Jong Pil and Suk Jung Sun, who played key roles in the military government. They themselves were graduates of the 8th class and among the 15 members of that class chosen by General Paek to work at G-2.<sup>4</sup> Shortly after

<sup>3</sup> Message from COMUSK/CGEUSA to JCS, Washington, D.C. (EUSA JOC 70305) May 17, 1961, White House copy, pp. 1-2. This message indicates that Chang urged the UNC to take military action against the coup and that he did not authorize the use of his name. For full text see appendix C-1.

<sup>4</sup> Staff interview with Suk Jung Sun, Sept. 7, 1977.

the outbreak of the Korean war, Park was reinstated in the Army. As was the case with many other ROK military officers, Park at one point attended an advanced military course in the United States. He was transferred 25 times in 11 years and was not promoted as rapidly as he might have been, apparently because he remained aloof from Army politics. Resentment over this treatment may have played a role in his decision to participate in the coup.

Kim Jong Pil, who was related to Park by marriage, was born in south-central Korea in 1926. He graduated from teachers college where he was rumored to have been involved in leftwing student politics. After teaching for a short time, he entered Korean Military Academy and graduated in the 8th class in June 1949. He spent his entire military career in G-2 military intelligence.<sup>5</sup>

One of the first acts of the coup leadership on May 16 was to declare martial law, dissolve the National Assembly, and ban political activity. Power was placed in the hands of a military revolutionary council which pledged, among other things, to fight communism; observe the U.N. Charter and Korea's international agreements; strengthen ties with the United States and other friendly nations; reestablish morality in government; make Korea economically self-reliant; work toward reunification of the peninsula; and, those goals accomplished, turn over the reins of power to new and conscientious civilian politicians.<sup>6</sup>

The timing of the coup caught both the U.N. Command and the U.S. Embassy by surprise. Both promptly expressed their disapproval in the following public statement, without waiting for authorization from Washington:

General Magruder, in his capacity as Commander-in-Chief of the United Nations Command, calls upon all military personnel in his command to support the duly recognized Government of the Republic of Korea headed by Prime Minister Chang Myon. General Magruder expects that the chiefs of the Korean Armed Forces will use their authority and influence to see that control is immediately returned to governmental authorities and that order is restored in the armed forces.<sup>7</sup>

Speaking on behalf of the U.S. Embassy, Chargé d'Affaires Marshall Green reiterated that stand and confirmed U.S. support of the constitutional government.

Much of the opposition from American officials in Korea stemmed from ignorance about the backgrounds of the coup leaders and a suspicion, because of U.S. Government reports, about past involvement in Communist activities. In these reports, it was noted that Park had flirted with communism while an Army officer in the mid-1940's before it became clear which of several groups would assume control in South Korea. Evidence suggested that Park was indeed a Communist during the 1948 Yosu revolt, and he was later tried, convicted, and given a death sentence because of this charge. He won a reprieve, evidently because he provided information that led to the apprehension of approximately 300 Communist agents. It was said that Park's sentence was reduced to 10 years because of efforts by Chung Il Kwon and others.

<sup>5</sup> The above discussion of the events of the coup is based in part on Kim, Se-Jin, *The Politics of Military Revolution in Korea* (Chapel Hill: University of North Carolina Press, 1971), pp. 86-101.

<sup>6</sup> Op. cit., message from COMUSK/CGEUSA to JCS, p. 3.

<sup>7</sup> Ibid., p. 5.

Gregory Henderson, then the cultural attaché at the U.S. Embassy, also suggested that because most coup participants could not speak English, contact between them and the American military had been limited.<sup>8</sup> There was also the issue of returning ROK troops to U.N. Command operational control. Finally, the Chang Myon Government had the strong support of a key group of Embassy officials centered around Chargé d'Affaires Marshall Green, political counselor Donald Ranard, and cultural attaché Gregory Henderson. They felt that, despite problems, the Chang Myon Government had been moving in the right direction. More democratic than the Rhee Government, it had been, partly at the urging of the U.S. Embassy, reluctantly adopting economic, defense, and foreign policies which this group felt were more realistic. Furthermore, it had agreed to assume a greater part of the cost of defense.<sup>9</sup> Writing later, Henderson noted the tremendous difficulty Chang's Government had faced in instituting such far-reaching measures. He suggested that, however well intentioned, U.S. insistence on their implementation was ill-timed because of the frailty of his Government.<sup>10</sup> These American officials were to play key roles in Korean-American relations over the next decade.

#### RELATIONS WITH THE UNITED STATES

The junta, for its part, was very anxious to get U.S. recognition as a symbol of its legitimacy. It attempted to counteract the effect of the Magruder and Green statements by misrepresenting the U.S. position in the Korean press, saying, for example, that Washington did not support those statements.<sup>11</sup> Although Green and Magruder had acted without advance notification, the State Department later fully backed their actions.<sup>12</sup>

The subcommittee looked into allegations that the U.S. CIA had supported the coup. While it was not able to investigate all allegations, it found no evidence to support this theory. The subcommittee interviewed a number of officials on both the Korean and U.S. sides. None indicated any U.S. involvement and all commented on initial hostility of the U.N. Command and the Department of State to the coup. One former U.S. official testified that he had formed the impression that "[the CIA] like the rest of the Embassy \* \* \* supported the anterior Democratic regime and regarded its violent successor with suspicion and antipathy."<sup>13</sup>

The junta moved quickly to consolidate its power. On May 19, 1961, the Military Revolutionary Council changed its name to the Supreme Council for National Reconstruction (SCNR). Within 6 days, it had arrested more than 2,000 "corrupt" politicians, including Chang Myon, and by the end of the summer it had taken into custody about 17,000 civil servants and 2,000 military officers, in-

<sup>8</sup> Henderson, Gregory, *Korea: The Politics of the Vortex* (Cambridge: Harvard University Press, 1968), p. 461, footnote 38.

<sup>9</sup> Staff interview with Marshall Green on Sept. 16, 1977.

<sup>10</sup> *Op. cit.*, Henderson, p. 181.

<sup>11</sup> Department of State incoming telegram from Seoul to Secretary of State, No. 1585, May 19, 1961. See appendix C-3.

<sup>12</sup> Department of State, Memorandum for the President, May 18, 1961. See appendix C-2.

<sup>13</sup> "Activities of the Korean Central Intelligence Agency in the United States," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 95th Cong., 1st sess., Mar. 17, and 25, 1976, part I (hereinafter referred to as "SIO-1"), Henderson's testimony, p. 4.

cluding 40 generals.<sup>14</sup> The United States negotiated the release of the generals, many of whom were pro-American. Most went to the United States to study at Department of Defense expense and many have remained in the United States.<sup>15</sup> The SCNR also dissolved almost all political and social organizations, strictly controlled the media, and banned demonstrations. Public reaction to the coup was hard to gauge because of the tight control exercised over the media.

During the first week following the coup, the U.S. Embassy in Korea reported that the Korean public attitude was one of apathy toward or passive acceptance of the coup and the junta. A month after the coup, the Embassy recorded "doubt and apprehension" among the urban populace, though the attitudes of the farmers appeared favorable.

Relations with the United States were a major concern, important both for military security and legitimacy. Even more important, perhaps, was U.S. assistance, which had accounted for more than 50 percent of the total national budget and more than 70 percent of the total defense budget.<sup>16</sup>

A new U.S. Ambassador, Samuel Berger, was assigned to Seoul in early July. The Ambassador was to:

\* \* \* seek to create a gradual recognition among the leaders of the Supreme Council that it is in their interest and the interest of their country that they from time to time reaffirm their intention to restore representative government and constitutional liberties; and that failure over the long run to demonstrate their good faith in this matter will compromise them in the eyes of the people of the United States and other free world countries and in the United Nations.<sup>17</sup>

The Ambassador was also "authorized to invite the chief of government to Washington for an informal visit including conferences with the President and the Secretary of State."<sup>18</sup>

If the SCNR could satisfy the Ambassador that it would restore representative government, recognize the U.N. Command's operational control over the ROK Armed Forces, and make certain fiscal and economic reforms, then Berger was authorized to indicate willingness to release \$28 million in remaining military aid for fiscal year 1961 and offer U.S. support for various economic projects and technical assistance in drawing up a 5-year economic development plan. If the planning went well, the United States would provide resources to help in its implementation.<sup>19</sup> At the same time, the Director of the U.S. Information Agency was to "arrange to assist the Korean Government, as may be appropriate,

<sup>14</sup> Op. cit., Henderson, pp. 183-184; Jounghwon A. Kim, *Divided Korea: The Politics of Development, 1945-1972* (Cambridge: Harvard University Press, 1975), p. 231.

<sup>15</sup> Confidential staff interview with former aide to Kim Jong Pil on June 16, 1977; staff interview with former ROK Gen. Kim Ung Soo on July 8, 1977.

<sup>16</sup> Op. cit., Jounghwon A. Kim, p. 233.

<sup>17</sup> Draft version of Record of Action No. 2430 of the National Security Council in its 485th meeting on June 13, 1961, titled "Summary and Revision of Recommendations of Task Force Report on Korea, pp. 1-2." The full text appears in appendix C-4. This document is the record of the NSC's action taken at its June 13, 1971 meeting during which it discussed the report of the Presidential Task Force on Korea. With the exception of the handwritten note on p. 6, the draft is identical to the final version of the Record of Action. The underlinings noted in the document are quotations from the full Task Force report, which remains classified. The draft Record of Action is on file at the John F. Kennedy Library, Waltham, Mass.

<sup>18</sup> *Ibid.*, p. 2.

<sup>19</sup> *Ibid.*, pp. 1-3.

in defining and propagating national ideals and goals and in improving the Korean image abroad.”<sup>20</sup>

Contemporaneous Department of State documents indicate that Ambassador Berger implemented the authorized policy. Repeatedly over the years, the United States would apply this strategy of using assistance—military and economic—as leverage to induce the Korean Government to adopt certain policies and undertake certain reforms. American leverage was enhanced by the ROK Government’s need for good relations as a symbol of legitimacy, both domestically and internationally.

In response to the U.S. position, on August 12, 1961, Park Chung Hee, chairman of the SCNR, announced that the Government would be returned to civilian control in May 1963. He also released thousands of prisoners and dropped charges against members of the Chang Myon Government.<sup>21</sup> By November 1961, the U.S. intelligence community concluded that Park Chung Hee, although briefly involved with the Communist movement in the 1940’s, no longer had any Communist sympathies or contacts. As leader of the junta, Park was by then considered to be a powerful and capable leader.

In November, Park visited Washington and met with President Kennedy. On November 14, the two issued a joint communique reconfirming friendly ties and common interests. Kennedy reaffirmed the U.S. defense commitment to Korea, Park his intention to restore civilian government.

The joint communique also stressed the economic development of the ROK as a major objective of both governments:

\*\*\* President [Kennedy] expressed great interest in Korea’s draft 5 year economic development plan. In this connection, he assured \*\*\* Chairman [Park] that the U.S. Government would continue to extend all possible economic aid and cooperation to the Republic of Korea, in order to further such long range economic development.<sup>22</sup>

From the beginning, the junta itself had expressed a commitment to economic development. The Government’s Economic Planning Council, building on the work done under Chang Myon, prepared the First Five-Year Plan, issued on January 13, 1962. The Government would play a major role in economic development. The plan emphasized industrial growth, but self-sufficiency in food grains was another major goal. The plan projected an average annual growth in the GNP of 7.1 percent. Investment was to rise by 51 percent during the period and exports were stressed. Little increase in consumption was projected, and social welfare services were not stressed.<sup>23</sup> The plan reflected the economic policy the Government would pursue for the next decade—industrialization, exports, massive investment, and continuing high rates of growth.

#### ESTABLISHMENT OF THE KCIA

On June 19, 1961, the SCNR founded an organization which would play a key role in most aspects of Korean life. The Korean Central Intelligence Agency (KCIA) was established “to supervise and coordinate both international and domestic intelligence activi-

<sup>20</sup> *Ibid.*, p. 7.

<sup>21</sup> *Op. cit.*, Joungwon A. Kim, p. 234.

<sup>22</sup> *Op. cit.*, Kim, Se-Jin, Documents on Korean-American Relations, p. 272.

<sup>23</sup> Kuznets, Paul W., *Economic Growth and Structure in the Republic of Korea* (New Haven: Yale University Press, 1977), pp. 196-205.

ties and criminal investigation by all government intelligence agencies, including that of the military."<sup>24</sup> The agency rapidly expanded into all aspects of life in Korea and soon reached Koreans living abroad. According to reports of a U.S. intelligence agency, the KCIA attempted to gain support for the ROK Government among Korean residents in the Los Angeles area as early as 1963.<sup>25</sup>

The KCIA was the brainchild of Kim Jong Pil, the principal planner of the coup; he became its first director. Agency personnel had at its core about 3,000 men from ROK Army intelligence. The KCIA absorbed its predecessor, the Combined Intelligence Research Center which, according to a former aide to Kim Jong Pil, had close ties to the U.S. CIA. This center had been set up shortly before the coup by Maj. Gen. Lee Hu Rak, military attaché in Washington, D.C., from 1956-59 and a major figure in future Park administrations. At the time of the coup in May 1961, Lee was arrested on charges of corruption; however, there were indications that the real reason for his arrest was that he was considered too close to Americans. After a few months, as part of an effort to build good will with the U.S. Government, the military junta acceded to American requests and released Lee. According to the same aide, the U.S. CIA was instrumental in obtaining his release.<sup>26</sup>

It has been alleged that the KCIA was founded with the cooperation and assistance of the U.S. CIA. The subcommittee found no evidence that this had been the case. In fact, several officials at the Embassy at that time indicated that there had been no connection. A former aide to Kim Jong Pil said that the U.S. CIA had provided advice to the KCIA on organizational matters, but indicated that he knew of no other U.S. role.<sup>27</sup> A major U.S. Government recommendation had been that the KCIA not combine domestic security and foreign intelligence functions.<sup>28</sup>

#### ORIGIN OF THE DEMOCRATIC REPUBLICAN PARTY

The breadth of the KCIA's role in the Government was apparent in 1962 when it established the Democratic Republican Party (DRP), which was still the dominant political party in Korea in 1978. Designed by Kim Jong Pil, the DRP had a centrally organized and tightly controlled hierarchical structure, with the president of the party, Park Chung Hee, at the top and the party chairman, Kim Jong Pil, next. The party had a permanent staff of over 1,000 stationed throughout the country.

Although the military junta had pledged to eliminate political corruption, by February 1962, the U.S. Embassy began receiving information on corrupt business activities by the KCIA under Kim Jong Pil. These involved construction of the Walker Hill resort, importation of automobiles from Japan, and manipulation of the Korean stock market.<sup>29</sup>

<sup>24</sup> Op. cit., Kim, Se-Jin, *The Politics of Military Revolution in Korea*, p. 111. See also "Part C-II: Intelligence Activities and Plans," p. 89.

<sup>25</sup> Senate Select Committee on Intelligence, "Activities of 'Friendly' Foreign Intelligence Services in the United States: A Case Study," June 1978, p. 5.

<sup>26</sup> Confidential staff interview, June 16, 1977.

<sup>27</sup> Confidential staff interview, Aug. 16, 1977.

<sup>28</sup> See "Part C-II: Intelligence Activities and Plans," p. 89.

<sup>29</sup> See "Problems of Political Funding and U.S. Trade and Investment in Korea" in "Part C-IV: Economic Relations," p. 227.

In October 1962, KCIA Director Kim Jong Pil and other KCIA officials traveled to the United States, where he had briefings at the CIA, FBI, and Defense Department.<sup>30</sup> Of more interest in light of later events were two other aspects of the trip. One of Kim's Korean escorts was Lt. Col. Pak Bo Hi, a military attaché at the ROK Embassy in Washington.<sup>31</sup> He later became the interpreter and confidant of Unification Church leader Sun Myung Moon. Second, the subcommittee learned that Kim met with and offered support to Unification Church members in San Francisco during this trip. Two individuals with personal knowledge of the meetings—one a U.S. Government official at the time—attested to this. On this trip Kim also met with Korean residents in the United States—one of whom was Tongsun Park—in Washington, D.C.<sup>32</sup>

In preparation for civilian rule, in mid-1962 a new constitution was prepared by a committee set up under the aegis of the KCIA. It included two American advisers—Harvard Prof. Rupert Emerson and New York University Prof. Gisbert Flanz.<sup>33</sup> As might be expected, the new constitution provided for a strong Presidency and a strong party system. It was clear that Park was aiming for a civilian government with tight control over the country. Martial law was lifted on December 5, 1962. The constitution, submitted to a referendum on December 17, was endorsed by 78.8 percent of the voters and promulgated on December 26.

The election was preceded by an announcement by Park that he and other members of SCNR could run for office if they retired from the military. This set off an internal power struggle that ended with Park as the accepted DRP candidate, Kim Jong Pil in temporary exile, and several of his military opponents court-martialed.

Throughout this period, the United States continued to urge the restoration of civilian rule. When, in March 1963, Park announced a 4-year extension of military rule, the U.S. Government immediately took steps to have the decision reversed. Ambassador Berger and other Embassy officials tried to dissuade Chairman Park. The State Department publicly said:

We hope that the junta and the major political groups in Korea can work out together a procedure for transition to civil government that will be acceptable to the nation as a whole.<sup>34</sup>

President Kennedy also sent a strong personal protest.

These diplomatic measures were backed up by economic moves. An ROK request for \$25 million in economic aid for the 5-year plan was denied, and the United States considered an end to all economic aid.<sup>35</sup>

According to an executive branch report, during the summer of 1963, KCIA Director Kim Hyung Wook said that U.S. actions had impeded Korea's progress since the 1961 revolution. Those actions included pressure for an early return to civilian rule, opposition to

<sup>30</sup> "Investigation of Korean-American Relations," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 95th Cong., 2d sess., pt. 4, Mar. 15, 16, 21, 22; Apr. 11, 20; and June 20, 1978 (hereinafter referred to as "KI-4") pp. 687-696.

<sup>31</sup> *Ibid.*

<sup>32</sup> *Ibid.*, p. 690.

<sup>33</sup> Confidential staff interview, Dec. 16, 1977.

<sup>34</sup> New York Times, Mar. 26, 1963, quoting Lincoln White, DOS spokesman.

<sup>35</sup> *Op. cit.*, Joungwon A. Kim, p. 248.

the Korean Government's objectives, and interference in Korean politics.

On August 15, 1963, the Presidential election was announced for October 15. Campaigning was restricted to a 30-day period. Despite the fragmentation of the opposition parties among six candidates and the preponderance of financial and human resources in the control of the DRP, the election was extremely close. Park got 46.7 percent of the valid votes, and former President Yun Po Sun, the main opposition candidate, received 45.1 percent. The election was generally considered to have been fair.

The election for the National Assembly was held on November 26, 1963. The DRP won 110 of 175 seats—with only 32.4 percent of the votes. The opposition, divided into 11 parties, had an average of six candidates per district. This fact, superior human and financial resources, and the proportional representation system had provided the DRP with an insurmountable advantage. The electoral process established by the military government was a critical factor in the DRP's victory. The DRP had reinforced its inherent advantages of finances and visibility with economic tactics—"relief for the poor and distribution of fertilizer to farmers \* \* \*." <sup>36</sup> Self-serving electoral procedures and economic tactics became trademarks of the Park Government's approach to elections.

On December 17, 1963, Park took office, officially reestablishing civilian rule.

#### PRESIDENT PARK'S FIRST TERM: 1963-67

This period was marked by the beginning of several important trends that were to shape the nature of Korean-American relations into the 1970's. Foremost were the consolidation of Park's highly centralized control over the country and his government's strong commitment to economic development, along with a shift in the U.S. approach to economic assistance. In the area of foreign policy, the ROK established formal ties with Japan and dispatched troops to Vietnam, part of a major agreement with the United States whose involvement in Vietnam was to have great impact on policies toward Korea. Perhaps most important, it was clear by 1967 that Korea had made marked economic strides and was very close to becoming self-sufficient. Ironically, while self-sufficiency was a goal of both countries, that prospect produced uneasiness on both sides and resulted in considerable tension over the coming decade.

#### NORMALIZATION OF RELATIONS WITH JAPAN

One of President Park's first acts after he took office was to reopen talks with Japan. The United States had been pushing for normalization of relations since the 1950's because Japan represented an important source of funds at a time of impending American aid cutbacks. For this very reason, the Park administration was also interested in improved relations. Further, normalization was symbolically important as a way of showing that Korea could deal as an equal with its former colonial master.

The Korean public reacted to the reopening of negotiations with strong suspicions and many demonstrations. After 15,000 protestors

<sup>36</sup> Op. cit., Kim, Se-Jin, *The Politics of Military Revolution in Korea*, p. 111.

calling for Park's resignation attempted to storm the Blue House, martial law was declared. Arrests were made, the press placed under censorship, assembly prohibited, and schools closed. Martial law was lifted in about a month. The renewal of ties with Japan had caused particularly widespread opposition because Koreans had not forgotten the years of harsh colonial rule. There was fear of anything that could lead to a resurgence of Japanese influence. Many opponents also feared that the Government would use the resources gained through normalization to consolidate its domestic political control.

On May 17, 1965, President Park made a 10-day state visit to the United States at the invitation of President Lyndon B. Johnson. The visit, which had important symbolic value, ended with a joint communique from the two Presidents. Johnson praised the steps regarding Japan and confirmed "that U.S. military and economic assistance to Korea would continue to be extended \* \* \* after normalization of Korean-Japanese relations."<sup>37</sup>

Demonstrations again resulted in martial law and the closing of a number of universities and high schools. Protests continued for the next few months. They were intensified on June 22, 1965, when the Japanese Normalization Treaty was formally signed in Tokyo. In a procedure that became standard in the coming years, the DRP had waited for an opportune time to push ratification through the Assembly. While the opposition was boycotting the Assembly, the bill was put to a vote.

The treaty encompassed a broad package of grants and loans totaling about \$1 billion. As expected, this flow of money had a great influence on economic development.<sup>38</sup> Some of the funds were also used for DRP political activities. It became a usual practice for the Park administration to extract money through foreign loans and foreign investments to fill the coffers of the DRP. The system involving private commercial loans, an "open secret," was described as follows:

Since private loans required Government approval and repayment guarantees, the Korean party receiving foreign loans was required to pay a percentage (popularly believed to be 10-15 percent and sometimes as much as 20 percent of the loan amount) in payoffs to obtain the necessary Government guarantees. The system, of course, applied to foreign loans from other nations as well. \* \* \* Assuming a kickback-ratio as low as 10 percent, this would mean political fund resources of \$25.6 million from this source [\$256.1 million in private commercial loans in 1965 and 1966].<sup>39</sup>

The decision to send Korean combat troops to Vietnam was made at the May meeting between Presidents Johnson and Park during the same period as the Japanese treaty crisis. In all, two divisions were sent by 1966.

Johnson had pushed for Korean participation to legitimize U.S. involvement and to show the solidarity of the free world in Asia. To Korea, the act had symbolic value—Korea was assisting the United States and another Asian country—but most important was the economic assistance promised by Johnson in return for the troop commitment. That assistance was to amount to \$1.5 billion over 5 years.

<sup>37</sup> Op. cit., Kim, Se-Jin, Documents in Korean-American Relations, p. 289.

<sup>38</sup> See "Part C-IV: Economic Relations," p. 168.

<sup>39</sup> Op. cit., Jungwon A. Kim, p. 264.

Once again, the Government's decision provoked widespread protests, to which it responded with severe reprisals. The National Assembly authorized the troop deployment in the absence of opposition members who were boycotting.

The continued vitality of the opposition movement, composed mainly of students, intellectuals, journalists, opposition party members, and religious leaders, gave the Park Government a strong incentive to strengthen further its system of political controls. Funds from abroad provided much of the financial resources to do so. The KCIA was very active in this effort:

The most apparent extension of political control was through the vast expansion of the activities of the Korean Central Intelligence Agency \* \* \*, during this phase headed by Kim [Hyung Wook], a classmate (eighth class) of Kim Jong Pil. \* \* \* By the time of the 1967 elections, the Government's pervasive control of the society through indirect means was well known. Conversations on sensitive subjects became noticeably hushed, and the glance over the shoulder began to take on the characteristic of a national nervous tic.<sup>40</sup>

Despite the Government's frequent suppression of dissent, there was far more tolerance of opposition in the mid-1960's than in later years. For example, the press was much freer at this time.

The success of the economy contrasted with the troubled political situation. When the First Five-Year Plan was completed in 1966, many goals had been exceeded. The annual GNP growth rate, which had been projected at 7.1 percent, was actually over 8 percent. Annual per capita income had risen from \$96 to \$131. The public recognized that the Park Government deserved credit for these achievements.

The United States had played an active role in the growth of the economy. Cooperation was excellent between the Park Government and Embassy officials, particularly those at AID. There was considerable agreement between Korean and American policies on the economy. The difficulty was in getting the Government to implement certain measures which were politically unpopular and, at times, the United States used aid as leverage to promote the measures and reforms it favored.

A key change in the economic attitudes at this time was Korean acceptance of a gradual aid cutback, especially AID development assistance, because Korea soon would no longer meet eligibility requirements. Over the next few years, not only were the levels reduced somewhat, but also the nature of funding changed. Originally most assistance had taken the form of grants; beginning in 1966, there was a shift toward loans.

The Second Five-Year Plan was made public in the summer of 1966 and was well received, even by the Government's critics. The success of the First Five-Year Plan and the need for continuity, as embodied in the second plan, were points often made by the Government in its bid for reelection in 1967.

#### 1967 ELECTIONS

The DRP began to prepare for the 1967 elections under the chairmanship of Kim Jong Pil. Kim Song Kon (S. K. Kim), a man with a background in business rather than the military, was chairman of the all-important finance committee. Under him, DRP

<sup>40</sup> Ibid., p. 265.

fundraising extended to extorting money from American business. For example, the Gulf Oil Corp. felt compelled to make a \$1 million payment in 1967 and a \$3 million payment in 1971 directly to S. K. Kim.<sup>41</sup>

On May 3, President Park was elected to a second 4-year term. He won 51.4 percent of the votes compared to 41 percent for Yun Po Sun, the candidate of the opposition New Democratic Party (NDP). This election was generally considered to be fair, but the President and the DRP once again had tremendous advantages in terms of funds, personnel, and public exposure.

In contrast, the election for the National Assembly, held June 8, 1967, was widely described as corrupt and dishonest. Numerous incidents of ballot box stuffing, vote-buying, and intimidation were reported.<sup>42</sup>

After the election, student protesters took to the streets and were met by riot police. After several days, most universities and high schools were closed. When the Government did not accede to NDP demands for new elections, the opposition responded with a boycott of the National Assembly which lasted until November 1967.

In mid-June 1967, over 100 Korean intellectuals were arrested in the so-called East Berlin case. Most had received academic training in West Germany. It was alleged that they had formed an espionage ring operating on behalf of the DPRK. Over 20 were kidnaped from West Germany and other European countries. Former KCIA Director Kim Hyung Wook, who had been in charge of the operation, testified that three of those arrested were sent to Korea from the United States with the cooperation of the United States, after it received assurances that they would be allowed to return. "According to this plan, we had them come to Korea voluntarily, had them submit their confessions to us, and as agreed, returned them to this country."<sup>43</sup> Thirty-four of those arrested were tried on espionage charges and all were convicted on December 13, 1967. Three received death sentences. Although Kim Hyung Wook admitted possibly being overzealous in his anticommunism, he staunchly asserted the guilt of those arrested. Many Korean intellectuals believed, on the other hand, that the incident was designed to remind them of their vulnerability.

#### THE EMERGENCE OF THE MOON ORGANIZATION

Anticommunism, a cardinal point of national policy of the Park Government, was the rationale for a number of ROK Government decisions which were to affect Korean-American relations in the late 1960's and early 1970's. As part of the effort to forge a national anti-Communist ideology, the Government had joined the Asian Peoples Anti-Communist League (APACL). In connection with that, it sponsored a project to build a "Freedom Center" in Seoul. Efforts were made by Kim Jong Pil and his lieutenants beginning in 1963

<sup>41</sup> "Multinational Corporations and U.S. Foreign Policy": Hearings before the Subcommittee on Multinational Corporations of the Committee on Foreign Relations, U.S. Senate, 94th Cong., 1st sess., May 16 and 19; June 9 and 10; July 16 and 17; and Sept. 12, 1975, part 12, pp. 8-9. See also "Part C-IV: Economic Relations," pp. 232, 234.

<sup>42</sup> *Op. cit.*, Joungwon A. Kim, p. 270.

<sup>43</sup> "Investigation of Korean-American Relations," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 95th Cong., 1st sess., Part 1, June 22, 1977 (hereinafter referred to as "KI-1"), p. 38.

to raise private funds in the United States for this project. In 1965, Kim persuaded the newly formed Korean Cultural and Freedom Foundation (KCFF) to help support the Freedom Center project.

The KCFF was largely controlled by Pak Bo Hi and Yang You Chan. Yang was the former Korean Ambassador to the United States and served as roving Ambassador for the Korean Government until his death in 1975. In 1966, the ROK Government helped the KCFF launch a project called Radio of Free Asia (ROFA), which broadcast anti-Communist programs from a Korean Government facility in Seoul. These programs were monitored by the KCIA. Another KCFF project, the Little Angels Dance Troupe, had some of its world tours sponsored by the Korean Government. The Little Angels had been founded by Sun Myung Moon and managed by his followers. KCFF became increasingly involved with the Moon Organization, as well as with the ROK Government.<sup>44</sup>

The KCFF, particularly its ROFA project, generated opposition among U.S. Embassy officials and congressional leaders who felt that the names of prominent Americans were being used to raise funds in the United States for a ROK-controlled operation run by persons of questionable background.<sup>45</sup>

#### PRESIDENT PARK'S SECOND TERM: 1967-71

By 1967, the ROK Government had established firm economic goals based on the development of an export-oriented economy and had demonstrated domestic political control through the DRP victories in the 1967 elections. However, the next few years were to be difficult ones because of significant changes within South Korea and in its relationship with the United States. During the period 1968-70, a series of international events raised South Korean anxieties over military security. The Seoul Government was alarmed by the U.S. response to these events, which the Koreans felt was not commensurate with the gravity of the threats. Internally, during this period President Park sought to consolidate his power and assure reelection in 1971 by subverting the legislative process and manipulating the Korean economy. Internationally, the ROK Government response to these events was to step up and coordinate influence activities aimed at American officials and policy.

On January 21, 1968, approximately 30 DPRK commandos attempted a daring raid on the Blue House in Seoul with the objective of assassinating President Park. They managed to cross the 38th parallel, infiltrate the city, and come within a kilometer of the Presidential palace. Although none reached the Blue House, the incident intensified ROK fears about its military vulnerability. Two days later, the intelligence ship U.S.S. *Pueblo* and its crew were captured by the DPRK, which claimed that the ship had intruded into its territorial waters. President Park felt that resolute action was required to insure ROK stability in the face of these provocations. He urged the United States to retaliate with

<sup>44</sup> See "Moon Organization" in "Part C-V: Educational, Informational, and Cultural Activities," pp. 323ff and 355ff.

<sup>45</sup> See "Part C-III: Executive Branch Awareness of Questionable Korean Activities," pp. 119-121.

preemptive air strikes against the DPRK. The U.S. Government declined in both instances.<sup>46</sup>

Infiltration by North Korean commandos, having increased the previous year, became even more frequent in 1968. The most significant incident was the landing of 80-100 guerillas on the east coast in November.

Despite the measures taken by the U.S. Government in 1968 to demonstrate to both the ROK and the DPRK that it intended to maintain the security commitment to the Seoul Government, ROK Government concerns persisted. Indeed, some American efforts, such as negotiations with the DPRK over the return of the crew of the U.S.S. *Pueblo*, were viewed by the Korean Government as tending to isolate the ROK further in its international relations.

Seoul viewed North Korea's bold provocations in 1968, and what it regarded as unsatisfactory American responses, against the backdrop of other seemingly foreboding events throughout the world. ROK leaders were particularly concerned about developments in the Vietnam war and the growing antiwar sentiment in the United States. The famous "Tet offensive" in Vietnam had begun on January 30, 1968, only 1 week after the Blue House raid and the capture of the U.S.S. *Pueblo*. That Communist military drive, while quite successful initially, eventually was stopped. In light of the growing antiwar movement in the United States, South Korean leaders doubted the publicly stated U.S. intentions to pursue the war vigorously.

ROK Government interest in acquiring a domestic arms production capability dated from 1968 and was sparked by the Blue House raid, *Pueblo* incident, and failure of the United States to respond militarily. In April, Tongsun Park made an unsuccessful approach to a West German manufacturer to purchase an arms factory on behalf of his Government. In the same year, efforts were made to purchase high-speed naval craft for the ROK Navy, with the intention of building such vessels in Korea as soon as possible. Subsequently, at the Second Defense Ministers Conference in the summer of 1969, the two Governments agreed on the construction of facilities in Korea to manufacture and assemble M-16 rifles. This agreement was a key step in the establishment of the ROK arms industry.<sup>47</sup>

South Korean anxiety over security increased again in April 1969, when a U.S. EC-121 intelligence plane was shot down by North Korea. Once again, the refusal of the United States to retaliate made ROK leaders even more doubtful about the dependability of the United States as an ally, despite strong reassurances from the Nixon administration.<sup>48</sup>

Then, in July 1969, President Nixon announced his Guam doctrine," which put Asian allies on notice that in future conflicts they would be expected to rely on their own manpower to resist armed aggression, although the United States would honor treaty commitments and provide assistance in the form of military materiel. He was responding to the public demand in the United States that there be "no more Vietnams." Korean leaders were confident

<sup>46</sup> See "Part C-I: Security and Political Affairs," pp. 54-56.

<sup>47</sup> See "Special Issue: ROK Defense Production and Military Self-Sufficiency" in "Part C-I: Security and Political Affairs," pp. 76-78.

<sup>48</sup> See "Part C-I: Security and Political Affairs," p. 58.

that the special relationship between the ROK and the United States would serve to exempt their country from the new policy. In fact, Nixon was to make South Korea the principal example of implementation of the Guam doctrine.

#### THIRD-TERM AMENDMENT

Contemporaneous with the growing feelings of military insecurity was a domestic political crisis brought on by President Park's maneuvering to prolong his hold on political power. Park, having been elected in 1963 and 1967, was ineligible under the existing constitution to run for a third term. The victory of the DRP in the 1967 elections, giving the party a two-thirds majority in the National Assembly, however, made possible a constitutional amendment that would allow Park to run for a third term. Opposition fears of DRP efforts to keep Park in power through a change in the constitution were realized in 1969. The Government's plans to amend the constitution became widely known in June, prompting nationwide demonstrations by students throughout the summer and fall. It was quickly noted by demonstrators that the riot police sent to control these demonstrations were transported in trucks clearly marked to indicate that they had been obtained with the assistance of U.S. AID.<sup>49</sup>

In July, Park stated that he would resign from office if a national referendum on the third-term amendment was not favorable. Shortly after this announcement, he met with President Nixon in San Francisco. Although the U.S. Government took no official position on the third-term issue at the time of the meeting, the Korean press suggested that Nixon favored it.

Rivalries and political bargaining among the top ROK political leaders were central to the success of the third-term amendment in the National Assembly. S. K. Kim and Kim Jong Pil, both with strong bases of support within the DRP and the Assembly, reached an agreement with Park Chung Hee, in which they would support the amendment in return for the resignations of Lee Hu Rak from the Blue House Secretariat and Kim Hyung Wook from the KCIA.<sup>50</sup> On September 14, the 122 DRP members of the National Assembly approved the third-term amendment in a secret session held at 2:30 a.m. The amendment was ratified in a national referendum on October 17, with the approval of approximately 65 percent of those voting. However, the amendment failed to carry a majority in the Seoul area, symbolically significant in light of the concentration of Korean media and intelligentsia there. Nonetheless, President Park had succeeded in changing Korean law to allow him to run in the coming Presidential election.

The referendum was marred by allegations of fraud and cash payments to rural voters. The DRP reportedly spent \$15 million to insure victory.<sup>51</sup>

<sup>49</sup> A group of American residents in Korea, asserting that the official U.S. position of neutrality on the amendment was not credible in light of the extent of U.S. involvement in Korea, cited these trucks in a discussion with Ambassador Porter as an example of the kind of thing which was taken by Koreans to indicate U.S. support for President Park's policies. Soon thereafter Porter reported to the group that the problem had been "solved" by repainting the trucks to cover the AID symbol.

<sup>50</sup> See "Problems of Political Funding and U.S. Trade and Investment in Korea," in "Part C-IV: Economic Relations," p. 232.

<sup>51</sup> Op. cit., Joungwon A. Kim, p. 276.

## DEVELOPMENT OF THE KOREAN ECONOMY

Economically, the period 1968-71 was of great importance to the expansion of export-oriented industry and was marked by continued high growth. The Second Five-Year Plan, initiated in 1967, stressed expansion of exports, continued mobilization of capital, and development of infrastructure. Its objectives were attained in many cases by the third year of the plan. By 1971, the last year of the plan, the GNP had registered an annual increase of 9 percent over the previous decade, and exports had expanded at an average annual rate of 41 percent.<sup>52</sup> Economic decisions made during 1968-69, particularly to engage in heavy foreign borrowing, were crucial for the phenomenal growth of the ROK economy in the 1970's. There was also an increasing degree of economic independence from the United States during this period due to the strength of the Korean economy and the changing nature of U.S. assistance.

These accomplishments were made, however, at the expense of a mounting foreign debt to American and Japanese investors and lending institutions. This was in part the result of the change in U.S. assistance from grants to loans, but also because of active solicitation of foreign investment by the Korean Government. The number and value of direct foreign investments by American and Japanese corporations increased dramatically during this period.

These investments frequently included large mandatory payments to the ruling party and to ROK Government officials. The \$3 million payment by Gulf Oil in 1971 was an example of such a payment.

Foreign investment, and in particular joint ventures through which foreign corporations manufactured finished goods in the ROK for export, also came at the expense of workers' rights. Although labor activity and strikes had been discouraged earlier, on January 1, 1970, a special labor law was enacted which prohibited labor union organizing, collective bargaining, and strikes by workers in companies in Korea in which there was foreign investment.<sup>53</sup>

Korean enterprises were able to secure massive loans from commercial banks abroad between 1969 and 1971 due to the Government's guarantee of repayment. Many of them encountered financial problems, and by 1971 over 200 enterprises had declared bankruptcy.<sup>54</sup> The ROK Government was obligated to repay all foreign loans on which these enterprises defaulted.

Korea suffered a lengthy drought during the fall of 1968, resulting in a rice shortage and higher prices for the domestic crop. The United States agreed to make large-scale rice shipments to Korea under the Public Law 480 "Food for Peace" program. The ROK Government wanted these shipments to supplement Korean rice production and to maintain a low price for rice in urban areas.

In Seoul, Representative Richard Hanna (D.-Calif.) asked KCIA Director Kim Hyung Wook to assist in having Tongsun Park designated as selling agent for Public Law 480 rice transactions. Thereafter, rice sellers in the United States found that American agents were unacceptable to ROK Government but that, by using Tongsun

<sup>52</sup> Area Handbook for South Korea (DA Pam 550-41, 1975), pp. 228-229.

<sup>53</sup> Korean Legal Center, *Laws of the Republic of Korea* (3d ed.). (Seoul, 1975), pp. 853-854.

<sup>54</sup> *Op. cit.*, Jounghwon A. Kim, p. 278.

Park, they were able to conclude sales. At the time, kickbacks were reportedly being made to Korean political leaders from the commissions paid to Tongsun Park.<sup>55</sup>

Although Public Law 480 rice shipments eased a domestic political problem by lowering the rice prices paid by urban workers, they had a deleterious effect on the rural sector. The prices paid to rice producers were concomitantly low, seriously depressing an already neglected sector of the economy. It was not until 1972 that the Government turned its attention seriously to the agricultural sector. From that time on, emphasis was placed on the "New Village Movement," a 10-year program for mobilizing capital and labor for modernization of the agricultural sector. Rural productivity and incomes have improved substantially since that time.<sup>56</sup>

Basic to the economic changes wrought by the Government in the latter part of this period was the growth of a small number of large trading and industrial conglomerates. Some which underwent expansion at this time were the Hyundai, Samsung, Daewoo, and Ssangyong groups.

The growing strength of the Korean economy was an important factor in the U.S. reappraisal of the ROK's ability to support the burden of its own defense and in Nixon's decision in 1970 to reduce the number of U.S. troops in Korea.

#### REDUCTION OF U.S. FORCES IN KOREA

The decision to withdraw 20,000 U.S. troops from South Korea and to provide funding for a 5-year plan to modernize the ROK Armed Forces (subject to approval by Congress) was made by President Nixon early in 1970 pursuant to recommendations by the National Security Council (NSC). The decision was based on an increased ROK defense capability, U.S. budgetary considerations requiring worldwide reductions in troop deployments and a U.S. domestic political climate in which positive evidence of military withdrawals from Asia was imperative.

The United States had decided that troop reduction and ROK Armed Forces modernization should be initiated simultaneously, but the Seoul Government, concerned that Congress might not approve funds for the modernization program, insisted on military modernization prior to troop reduction. President Park's resistance to troop reduction was based partly on genuine security concerns. However, he was also worried about possible negative impacts on the economy and the 1971 Presidential election.<sup>57</sup>

Given the Korean Government's alarm over its security and perception of a lessening of U.S. commitment, when it was revealed that 10,000 U.S. troops had already been withdrawn through attrition, Korean leaders felt their doubts were justified. The Government decided that they needed to take measures outside regular diplomatic channels to influence U.S. policy.

#### KOREAN EFFORTS TO COORDINATE INFLUENCE ACTIVITIES

Well aware that Congress held ultimate power over funding of the modernization program and that favorable public opinion

<sup>55</sup> See "Part C-IV: Economic Relations," pp. 207-215.

<sup>56</sup> See "Part C-IV: Economic Relations," pp. 184-185.

<sup>57</sup> Department of State cable of July 31, 1970, KI-4, pp. 508-509.

would influence the vote in Congress, the South Korean Government began a major effort designed to insure funding and to win the support of the American people for its position. As early as June 1970, Korean concerns had heightened to the point that Ambassador Porter informed the State Department that the Government appeared "prepared to pull out all stops in order to impress the U.S. Administration and Congress. \* \* \*"<sup>58</sup>

Immediately after discovering in late August that the 10,000 troops had already been withdrawn, the ROK Government began to lay the groundwork and set the pattern for the large-scale lobbying and covert influence activities of succeeding years.

High-level meetings were held in the Blue House, some of them chaired by President Park, to consider various plans for centralizing and controlling from the Blue House ROK Government lobbying in Washington on troop reduction and military modernization. Various plans were offered for consideration, one of which called for Tongsun Park to be in charge of all lobbying in the United States. A plan for an organization composed of American and Korean parliamentarians, scholars, and businessmen, headed by Tongsun Park, was also considered. Several individuals already working for ROK interests in Washington were to have their activities coordinated under Tongsun Park. Later it was decided instead to assure Blue House control by establishing a foreign policy review board in the Blue House which would coordinate the separate influence operations.<sup>59</sup>

One of these operations occurred in mid-September 1970 when President Park signed 60,000 letters which were sent to Americans thanking them for contributions to Radio of Free Asia, part of the KCFF. The letters noted that "Communist neighbors surrounding us are ever increasing their hostilities to our own free Korea." Pak Bo Hi of the KCFF had prepared the letters and traveled to Seoul to arrange for the President's signature.<sup>60</sup>

On September 13, the Conference for the Development of Free Institutions was incorporated in Washington, with various Members of Congress listed among its supporters. It had been organized by Tongsun Park and Kim Kwang, a relative of Park who worked in two congressional offices and was later identified as being connected with the KCIA.<sup>61</sup>

In October, a Blue House official, in an apparent attempt to alter Voice of America news broadcasts to Korea, made an offer of money to an official of the East Asia and Pacific Division of the Voice of America, who turned it down.<sup>62</sup> A paper dated October 1970, entitled "Plan for Korea's foreign Policy Toward the United States," was found in Tongsun Park's home in 1977 by Federal investigators. It advocated inviting Members of Congress to Korea to persuade them to support the Korean position on the foreign aid bill. The plan also called for the contribution of \$380,000 to the

<sup>58</sup>KI-4, p. 503.

<sup>59</sup>See "Executive Branch Awareness of Questionable Korean Activities," pp. 124-125.

<sup>60</sup>See "Part C-III: Executive Branch Awareness of Questionable Korean Activities," pp. 126-127, and the "Moon Organization" in "Part C-V: Educational, Informational, and Cultural Activities," pp. 364-365. The letters generated additional contributions to Radio of Free Asia, some of them sent directly to the Blue House, and the Blue House expressed pleasure over the results of the project.

<sup>61</sup>See "Part C-III: Executive Branch Awareness of Questionable Korean Activities," p. 125.

<sup>62</sup>See "Part C-V: Educational, Informational and Cultural Activities," p. 307.

1970 congressional election campaign, the use of American businessmen to pressure Congress, and the obtaining of intelligence information from the CIA.<sup>63</sup>

Agencies of the U.S. Government received reports on most of these activities almost immediately. Ambassador Porter was instructed in late 1970 and early 1971 to inform Korean leaders of U.S. Government concern about improper influence activities in Washington. Porter had meetings with senior Korean Government officials, including Prime Minister Chung Il Kwon, at which he urged that influence activities be curtailed and that Tongsun Park be recalled to Korea.<sup>64</sup>

Some U.S. officials were disturbed to learn in June 1971 that an aide to a Congressman was passing classified information to the Korean Embassy from the Congressman's subcommittee. Donald Ranard, testifying before the Subcommittee on International Organizations, said, "[W]ith respect to what I had seen, I regarded it as highly reliable, important, and very sensitive, and it appeared to indicate to me that there was a direct connection between the Korean CIA and a Korean by the name of Kim Kwang, who was working in Congressman Gallagher's office."<sup>65</sup>

In the summer of 1971, the State Department transmitted information about other improper Korean activities to the Justice Department and requested an FBI investigation. Concurrently, a U.S. intelligence agency transmitted similar information to the FBI. The FBI conducted a perfunctory investigation in response to State's request, but did not investigate the information of the intelligence agency. Instead, it sent it to Attorney General John Mitchell and Presidential Assistant Henry Kissinger; however, neither recalled seeing more than a small portion of the information. A former FBI official testified that the reason the second transmittal was not investigated was because the originating agency had placed a limitation on investigative use due to its high sensitivity.<sup>66</sup>

Ambassador Porter testified that he perceived a permissive attitude among Washington officials who were not inclined to take action on Korean influence activities, and he believed that Korean participation in the Vietnam war was the reason.<sup>67</sup>

Ironically, in mid-1971, South Korea withdrew 12,000 troops from Vietnam, partly in reaction to the cutback of U.S. forces in Korea. This was done despite American pressure to postpone withdrawals. Economic benefits from participating in the Vietnam war continued, however, until 1973, when the last remaining forces returned to Korea.

#### 1971 ELECTIONS AND KOREAN DOMESTIC UNREST

In addition to dealing with its concerns over foreign policy and security, at this time the Korean Government was also active in trying to control domestic criticism and prepare for the 1971 elections for the Presidency and the National Assembly. Several per-

<sup>63</sup> See "Part C-II: Intelligence Activities and Plans," pp. 102-104.

<sup>64</sup> KI-4, p. 68.

<sup>65</sup> KI-4, pp. 90-94; see also "Part C-III: Executive Branch Awareness of Questionable Korean Activities," pp. 134-135.

<sup>66</sup> See "Part C-III: Executive Branch Awareness of Questionable Korean Activities," pp. 129-143.

<sup>67</sup> KI-4, pp. 60-61.

sons, including the well-known poet Kim Chi Ha, were arrested for criticizing the Government and were prosecuted under the anti-Communist law.

President Park's opponent in the 1971 election was Kim Dae Jung of the New Democratic Party (NDP). Whereas the opposition had been split badly in the elections of 1963 and 1967, in 1971 it was united behind an attractive candidate. During the election campaign, there were frequent demonstrations against alleged campaign irregularities, particularly the ruling party's use of local police and other Government officials to intimidate the opposition and promote the interests of the ruling party. The American Embassy informed Washington that the Park Government was also manipulating the economy to alter the election outcome. In the months before the election, the Government substantially increased the amount of cash in circulation and made credit easier to obtain. These policies later caused serious problems for the economy, in the opinion of AID officials.<sup>68</sup> The ruling party's finances were still being managed by S. K. Kim, who this time demanded a payment of \$10 million from Gulf. He eventually exacted a campaign contribution of \$3 million. Other U.S. corporations also contributed to DRP campaign finances, either directly or indirectly.<sup>69</sup>

Between April 9 and the election on April 27, the Government made a series of announcements and revelations involving national security which created a crisis atmosphere during the final days of the campaign. For example, on April 9, a North Korean spy reportedly turned himself in and confessed to plotting a coup d'état; on April 20 and 23, two espionage rings were revealed, and on April 24, President Park ordered all ROK military forces on full combat alert. Immediately before the election, President Park made an announcement promising that this election would be his last bid for public office.

President Park defeated Kim Dae Jung by a vote of 53 percent to 45 percent, according to the official count. The opposition party immediately charged widespread irregularities. Student demonstrations followed throughout the month of May, and there were calls for a new election.

In the National Assembly election on May 25, the opposition party made substantial gains, capturing 89 of the total 204 seats. The DRP won 113 seats with only 48.8 percent of the vote, but failed to gain control of two-thirds of the National Assembly, depriving President Park of the votes required to amend the constitution again should he want to seek reelection 4 years hence.

The closeness of the 1971 elections and the social unrest that followed deprived President Park of a clear mandate. Immediately following the National Assembly election in May, the Government closed four universities. At Seoul National University, 23 leaders of the demonstrations were expelled, prompting another demonstration.

<sup>68</sup> See "Part C-IV: Economic Relations," p. 186.

<sup>69</sup> See "Problems of Political Funding and U.S. Trade and Investment in Korea" in "Part C-IV: Economic Relations," pp. 225-258.

## NORTH-SOUTH DIALOG

In the midst of this unsettled domestic situation, on July 15, the United States and the People's Republic of China announced unexpectedly that Henry Kissinger had visited Peking and that President Nixon would do so before May 1972. The response of the ROK and the DPRK to this change in the international situation was quick and encouraging. The two Governments expressed a willingness to have direct talks with each other, and on August 20, the first meeting was held at Panmunjom between representatives of their respective Red Cross organizations.

Despite this hopeful development, the Park Government continued to face domestic problems. There was a great deal of trouble on the campuses, primarily over the issue of compulsory military training for students. In October, troops were deployed against students, 10 universities were closed, 2 campuses were occupied, and many students were arrested.

Park was also having problems within his own political party. As a result he moved to consolidate his political position in June by appointing Kim Jong Pil Prime Minister, while leaving the DRP organization in the hands of Kim's opponents. The ensuing factional strife culminated on October 2 when Kim's opponents joined the opposition party in a vote of no-confidence against the Minister of Home Affairs, who was responsible for police handling of student demonstrators.<sup>70</sup> The defectors were quickly forced to give up their seats and allegedly were tortured by the KCIA.

On December 6, Park declared a state of national emergency, one step short of martial law, because of the rapidly changing international and domestic situation. He asserted that the measure was made necessary by the admission of the People's Republic of China to the United Nations and the aggressive attitude of North Korea. By the end of the year, he had assumed further extraordinary powers through which he imposed wide economic controls, restricted assembly, and regulated the press.

The economic situation had become precarious in the latter half of 1971. President Nixon's new economic policy had worldwide repercussions that affected South Korea's foreign trade and balance of payments. Further, the United States had pressured the Korean Government into limiting textile exports to the United States.<sup>71</sup> By the end of the year, the Korean Government was forced to request additional credits from the United States and other donors and early in 1972 was faced with a general economic slowdown. With that slowdown continuing, on August 3, 1972, President Park decreed emergency economic reforms whose goals were to shift funds from the informal lending market into regular banking institutions, control inflation, and strengthen marginal industries.

The economic problems with the United States at this time were also partly the result of the activities of Tongsun Park. During 1971, the Korean Government had removed him as selling agent for rice transactions after U.S. Government representations and because of internal factional strife. However, on March 21, 1972,

<sup>70</sup> Lee Chae-Jin, "South Korea: Political Competition and Government Adaptation" in *Asian Survey*, January 1972, pp. 40-41.

<sup>71</sup> See "Part C-IV: Economic Relations," pp. 191-196.

American rice suppliers were informed by the Korean Government that once again Park was to be the sole selling agent of rice for Korea. When U.S. Department of Agriculture officials became aware of this requirement, which violated Public Law 480 regulations, they pressured Tongsun Park into withdrawing as selling agent. Nonetheless, he continued to receive commissions on Public Law 480 rice deals through another corporation, Daihan Nongsan, which fronted as the selling agent.<sup>72</sup>

The domestic political situation in South Korea was relatively quiet during the first half of 1972, despite continued criticism by the opposition. Kim Dae Jung, for example, protested the state of emergency imposed by President Park; Stephen Cardinal Kim criticized the president for totalitarian policies. Nevertheless, the state of national emergency served to keep dissidents under control.

On July 4, 1972, the Governments of both the ROK and the DPRK issued a surprise joint communique on the peaceful unification of Korea.<sup>73</sup> It had resulted from a secret trip to Pyongyang by KCIA Director Lee Hu Rak and a secret trip to Seoul by the Vice Premier of the DPRK. The two sides agreed that unification should be achieved through the independent efforts of the two countries by peaceful means after first seeking to promote a broad consensus on various matters among all Korean people, north and south; not to defame each other or to undertake armed provocation; to promote exchanges of various unspecified kinds, and to cooperate in the Red Cross talks. To facilitate continued communications, they agreed to set up a direct telephone line between Seoul and Pyongyang and to establish a North-South Coordinating Committee. The U.S. Government was pleased with this development, having urged it for some time.<sup>74</sup>

#### KOREA UNDER THE YUSHIN CONSTITUTION

President Park saw the negotiations with the North as reason for more Government control and vigilance in the South. He told his Cabinet that the ROK internal system had to be consolidated so that the mood of "excessive optimism" would not allow the infiltration of Communist ideology. His intentions became clear on October 17 with a declaration of martial law and the announcement of the "October Revitalizing Reforms" (Yushin Reforms). He dissolved the National Assembly, suspended parts of the constitution, forbade political activity, imposed censorship of the press, closed the universities, and announced that in 10 days he would propose a set of amendments to the constitution which would be submitted to a national referendum within 30 days thereafter. The Yushin amendments announced on October 27 amounted to a new constitution. Park said that the ROK had had many problems because "we have always attempted awkwardly to imitate closely the democratic institutions of others,"<sup>75</sup> and that he therefore was offering a

<sup>72</sup> See "Part C-IV: Economic Relations," pp. 210-215.

<sup>73</sup> For the text of this communique see Se-Jin Kim, *Korean Unification: Source Materials with an Introduction* (Seoul 1976) pp. 319-320.

<sup>74</sup> American-Korean Relations, Hearings before the Subcommittee on Asian and Pacific Affairs of the Committee on Foreign Affairs, U.S. House of Representatives, 92d Cong. 1st sess., June 9, 1971, Porter's testimony, p. 58.

<sup>75</sup> Korean Overseas Information Service (KOIS) "Draft Amendments to the Constitution of the Republic of Korea" (Seoul, 1972) p. 10.

"Korean-style democracy." Park's Government had been faced with the problem of justifying authoritarian rule in democratic terms since the day of the military coup 11 years earlier. The concept of "Korean-style democracy" was an attempt to solve that problem.

A State Department press spokesman said that the U.S. Government was not consulted about the decision to impose martial law and was notified only shortly before the declaration was made. He made it clear that the U.S. Government did not regard martial law to be warranted in light of South Korea's economic, political, and military strength and the relaxation of tensions resulting from the North-South dialogue.<sup>76</sup> When the Yushin declaration was made, the United States had to put its policy together quickly. At that time Seoul was in considerable favor in Washington because of the economic achievements and the negotiations with the North. Therefore, the policy adopted was one of noninterference. President Nixon reiterated the policy when he told Prime Minister Kim Jong Pil in January 1973 that "unlike other Presidents, I do not intend to interfere in the internal affairs of your country."<sup>77</sup>

President Park warned the South Korean people that if they failed to approve the national referendum on the Yushin amendments, "we will be permanently dropped out of the future progress of world history."<sup>78</sup> Furthermore, if the amendments were rejected, he would "take it as an expression of the will of our people against the North-South dialogue and therefore seek another approach to the task of national unification."<sup>79</sup> No campaigning was allowed. However, official election management committees and "persons of learning and virtue" selected by the committees were to "guide and enlighten" the voters on the amendments and voting procedures.<sup>80</sup> In the November 21 referendum, 91.9 percent of those eligible voted, and 91.5 percent of those voting registered approval.

The Government moved quickly under the Yushin reforms. On December 13, martial law was lifted. President Park was reelected on December 23, receiving all of the valid votes cast by the special electoral body called the National Conference for Unification provided for by the new constitution. He formally promulgated the Yushin Constitution at his inauguration on December 27. On February 27, of the following year, 146 members of the new National Assembly were elected; 73 were members of the ruling DRP. Another 49 supporters of Park Chung Hee were appointed by the President with pro forma approval of the National Conference for Unification. The National Assembly was convened on March 12, and on the same day Park banned public rallies and demonstrations.

Essentially, the Yushin Constitution placed virtually all power in the hands of President Park:<sup>81</sup> The President is the chairman of the National Conference for Unification, which elects him; he appoints the members of the Central Election Committee, which oversees elections; he appoints one-third of the National Assembly; he

<sup>76</sup> Department of State, "Transcript of Press, Radio, and Television Newsbriefing," Tuesday, Oct. 17, 1972, 12:15 p.m. (DPC 192), p. 1-6.

<sup>77</sup> Confidential staff interviews.

<sup>78</sup> Op. cit., KOIS, p. 10.

<sup>79</sup> New York Times, Oct. 18, 1972, p. 10.

<sup>80</sup> "Seoul Issues Rules for Referendum," New York Times, Oct. 24, 1972.

<sup>81</sup> For the full text of the Yushin Constitution, see Korean Legal Center, *Laws of the Republic of Korea* (3d ed.) (Seoul, 1975), pp. 1-17.

can dissolve the National Assembly at any time; he has the power to appoint and discipline all judges; and he appoints all the members of the constitutional committee that determines whether the laws passed by the National Assembly are constitutional. Should these arrangements be deemed inadequate by the President, he can take emergency measures regarding any of the nation's affairs whenever, in his judgment, "the national security or the public safety and order is seriously threatened or anticipated to be threatened."<sup>82</sup>

The following are illustrative examples of Park Chung Hee's exercise of power under the Yushin system:

(1) Hundreds of students, intellectuals, and religious leaders (including Catholic Bishop Tji Hak Soon) were arrested and sentenced to prison for violating Park's 1974 emergency measures against criticism of the Yushin system.

(2) Fourteen persons were sentenced to death in 1974 under one of the emergency measures which forbade any contact with the National Federation of Democratic Youth and Students, which had issued a declaration criticizing the Park Government as a repressive dictatorship manipulating the North-South dialog for its own perpetuation. The sentences of some, including noted poet Kim Chi Ha, were later commuted to life imprisonment, and some have since been released. However, on April 9, 1975, 8 of the 14 who the Government alleged were members of a "Peoples Revolutionary Party" were hanged.

(3) In late 1974, the *Dong-A Ilbo*, a newspaper which had been reporting on the movement to restore democracy, lost all advertising due to KCIA pressure. For a time, the newspaper was sustained by the public through an increase in circulation and many small anonymous advertisements supporting freedom of expression. The campaign lasted until management eventually bowed to Government pressure in March 1975.

(4) After being released in early 1975, the poet Kim Chi Ha was arrested again, this time for writing articles for the *Dong-A Ilbo* in which he criticized the Government and asserted that the "Peoples Revolutionary Party" was a Government fabrication. During the course of his trial, Kim's earlier life sentence was reinstated, and, upon conviction, he was sentenced to an additional 7 years. As of 1978, he was still in prison.

(5) In 1975, an amendment to the criminal code made it a crime punishable by up to 7 years imprisonment for a Korean citizen to say or do anything which might harm the welfare of or defame the ROK while abroad or to any foreigner while in Korea.<sup>83</sup>

(6) In May 1975, President Park issued emergency measure No. 9. The most sweeping of the emergency measures, it was still in effect in 1978.<sup>84</sup> The number of protest incidents dropped off substantially under this decree, which prohibited dissemination of falsehoods, criticism of the constitution, political activities by students, and reporting to the public any act violating the decree.

(7) In 1976, 18 prominent political, academic, and religious leaders—including Kim Dae Jung and Yun Po Sun—were tried and

<sup>82</sup> *Ibid.*, p. 6, art. 53.

<sup>83</sup> The Emergency Christian Conference on Korea Problems, "Documents on the Struggle for Democracy in Korea," (Tokyo, 1975) p. 250. A translation of art. 104, sec. 2 of the Criminal Code.

<sup>84</sup> Hapdong News Agency, "Korean Annual 1977" (Seoul, 1977), pp. 359-361.

convicted for signing a declaration calling for the peaceful restoration of democracy. Most have since been released with deprivation of their political and civil rights; Kim Dae Jung was still a prisoner in October 1978.

(8) In July 1978, President Park ran unopposed and was unanimously elected to another 6-year term by the National Conference for Unification.

#### REACTION TO YUSHIN ABROAD

Opposition to the Yushin system was expressed by Koreans abroad immediately after Park Chung Hee's October 17, 1972, declaration of martial law and announcement of the Yushin reforms. Korean residents in Washington, D.C., Los Angeles, Tokyo, and other cities staged protest demonstrations. Kim Dae Jung, in Tokyo for medical treatment, issued a statement on October 18 denouncing the Yushin declaration.

Criticism of Yushin was not limited to Koreans. Influential American newspapers including the "New York Times," the Washington Post, and the Christian Science Monitor were critical of the Park government. Prominent American academics such as former Ambassador to Japan Edwin O. Reischauer also spoke out against the new developments.

Although the executive branch of the U.S. Government did not criticize the Yushin reforms, in February 1973, the Senate Foreign Relations Committee released a staff report on South Korea and the Philippines which was very critical of Yushin. It concluded that President Park probably would remain in office until he died, decided to resign, or was overthrown by a revolution.<sup>85</sup>

The ROK Government began taking measures to deal with the hostile reaction in the United States. A number of Korean Government officials were assigned to conduct a public relations campaign aimed at the American reaction. Several Korean residents of the United States were called to Seoul early in December 1972 and instructed to take measures to improve the ROK Government's image in the United States.<sup>86</sup>

The Korean Government also attempted to make increased use of its diplomatic and KCIA personnel stationed in the United States for improving its image. Lee Jai Hyon, cultural attaché at the Korean Embassy from 1970 until 1973, testified that he had been given "a series of unconvincing explanations" on Yushin by officials in Seoul, and was instructed to "tell the U.S. Government and press that if there is internal opposition to [President Park's] policies, he [Park] cannot negotiate from a position of equal strength with Kim Il Sung." According to Lee, Ambassador Kim Dong Jo called frequent staff meetings at which KCIA station chief Lee Sang Ho briefed the others on a scheme that employed seduction, payoff, and intimidation to win the support of the U.S. Government, the business community, the academic community, and the Korean-American community for Park Chung Hee's policies.<sup>87</sup>

<sup>85</sup> "Korea and the Philippines, November 1972," a staff report prepared for the use of the Committee on Foreign Relations, U.S. Senate, Feb. 18, 1973, p. 44.

<sup>86</sup> See "Part C-III: Executive Branch Awareness of Questionable Activities," pp. 144-146.

<sup>87</sup> "Human Rights in South Korea and the Philippines: Implications for U.S. Policy," hearings before the Subcommittee on International Organizations of the Committee on International Relations, U.S. House of Representatives, 94th Cong., 1st sess., May 20, 22, June 3, 5, 10, 12, 17, and 24, 1975, p. 179. See also "Part C-II: Intelligence Activities and Plans," pp. 92, 101.

## HARASSMENT AND KIDNAPING OF KIM DAE JUNG

KCIA headquarters had been extremely upset about Kim Dae Jung's activities in the United States in the first half of 1973.<sup>88</sup> Kim was speaking to groups of Korean residents and was in frequent contact with the Korean desk at the State Department. He was also writing letters to and meeting with Members of Congress, journalists, and professors.<sup>89</sup> The KCIA closely monitored his movements and tried to disrupt events in which he was participating. Normally, each KCIA station in the United States reported directly to Seoul headquarters, but for these operations all were placed directly under the control of the station chief in Washington, Lee Sang Ho.<sup>90</sup> In mid-1973, the State Department received intelligence information containing the allegation that the KCIA had contemplated having Kim killed by hired criminals in the United States.<sup>91</sup> As a result of this report and various accusations of harassment of Korean-Americans, the State Department began to pressure the Korean Government to stop such activity and to recall the KCIA station chief, whom the State Department regarded as the principal cause of trouble.

In July 1973, Kim Dae Jung traveled to Japan, intending to return shortly to take up a fellowship at Harvard. During the daytime on August 8, he was kidnaped from his hotel room in Tokyo by the KCIA. On August 13, he was released near his home in Seoul, and 3 days later was placed under house arrest. Although the details of Kim Dae Jung's release are not yet known, American and Japanese Government reactions to the kidnaping definitely played a role. As soon as Kim's disappearance became known in Washington, the U.S. Government expressed strong interest in his welfare. A nationwide public outcry swept Japan, and the Japanese Government voiced concern about Kim.<sup>92</sup>

There is circumstantial evidence that KCIA officials stationed in the United States may have been involved in the kidnaping. Lee Sang Ho, Choi Hong Tae, and Park Chung Il—all from the Washington station—were in Tokyo or Seoul at the time of the kidnaping.<sup>93</sup> Other KCIA officers stationed in the United States traveled to Tokyo and Seoul at the same time.

A State Department memorandum dated August 17, 1973 said, "while the present ROK CIA chief remains in Washington he will continue to be the source of contention in the Korean community and embarrassment to the United States."<sup>94</sup> In December 1973, KCIA station chief Lee Sang Ho was recalled to Seoul as a result of U.S. Government pressure. Shortly thereafter, using his real name Yang Doo Won, he was promoted to Deputy Director for Security.

<sup>88</sup> KI-4, Testimony of Kim Sang Keun, former KCIA official, p. 60.

<sup>89</sup> Staff interview with Lee Keun Pal, former secretary to Kim Dae Jung, Jan. 30, 1978.

<sup>90</sup> "Investigation of Korean American Relations," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 95th Cong., 2d sess., Part 5, June 1, 6, and 7, 1978 (hereinafter referred to as "KI-5"), pp. 60-63.

<sup>91</sup> Op. cit., Senate Select Committee on Intelligence, p. 10.

<sup>92</sup> See "Japan's Responsibility in Kim Dae Jung Affair," Donald Ranard, *Mainichi Daily News*, Aug. 10, 1978. Ranard was Director of the Office of Korean Affairs of the Department of State at the time of the kidnaping.

<sup>93</sup> KI-5, letter to subcommittee staff from Kim Sang Keun, p. 176.

<sup>94</sup> KI-5, pp. 166-167.

## TONGSUN PARK AND THE U.S. EMBASSY

During the early 1970's, the activities of Tongsun Park continued to be a sore point in Korean-American relations and a matter of concern to Ambassador Philip Habib in Seoul. In letters to the State Department between 1972 and 1974, he complained about Park's various lobbying and commercial affairs, making it clear that he regarded Park's activities to be detrimental to the best interests of both South Korea and the United States. Habib also informed the State Department that he had prohibited Embassy personnel from having any contact with Park.<sup>95</sup>

## KOREAN QUESTION AT THE UNITED NATIONS

In 1971 and 1972, there were no debates at the United Nations on the Korean question because of the ongoing negotiations between the ROK and the DPRK. When the talks broke down in 1973, the United Nations once again became a focus of debate on Korea. On June 23, President Park, in a major reversal of policy, proposed U.N. membership for both the ROK and the DPRK, and announced that the ROK would not object to DPRK participation in the U.N. debate on the Korean question even prior to entry. The South Korean proposal was endorsed by the United States. By supporting dual entry, the United States seemed to be shifting away from encouraging efforts at reunification through North-South negotiations, and toward a de facto recognition of separate states, although the Department of State continued to endorse eventual reunification of the Korean Peninsula. The DPRK rejected President Park's proposal for dual entry, charging that it would cause permanent division of the two Koreas. North Korea did accept an invitation to participate in the U.N. debates, however, and sent an observer delegation in November of 1973.

The presence of the DPRK delegation in the United States was a new factor further increasing Seoul's concerns about anti-Park activity by Korean residents in the United States. The Government feared that the delegation would provide assistance to and attempt to solicit support from the Korean-American community by disseminating propaganda.<sup>96</sup> The ROK Government responded by increasing its own propaganda efforts aimed at the United Nations, including the assignment of covert KCIA operatives to the U.N. posing as journalists, and centralizing all propaganda activities in the United States under Ambassador Han Byung Ki of the ROK Observer Mission to the United Nations.<sup>97</sup>

The performance of the Little Angels dance troupe at the United Nations in December 1973 represented another propaganda effort by the ROK. To the surprise of those who attended the performance, Rev. Sun Myung Moon was introduced by Pak Bo Hi as the founder of the troupe.<sup>98</sup>

On November 18, 1975, the U.N. General Assembly adopted two conflicting resolutions on the Korean question. Both called for the

<sup>95</sup> KI-5, pp. 151-163.

<sup>96</sup> See "Part C-II: Intelligence Activities and Plans," pp. 91-92.

<sup>97</sup> KI-7, testimony of Kim Hyung Wook. See also "Part C-III: Executive Branch Awareness of Questionable Korean Activities," p. 152.

<sup>98</sup> Staff interview with Hahn Changsup, U.N. correspondent of Hapdong News Agency, on June 22, 1977.

dissolution of the United Nations Command, but the one favored by the United States provided for talks by the United States, North Korea, South Korea, and China to find an alternative to the armistice of 1953. The resolution favored by North Korea proposed bilateral talks between the United States and North Korea, excluding South Korea. Since both resolutions were adopted, no action could be taken on either.

#### THE OIL CRISIS

In October 1973, the OPEC nations quadrupled the price of oil, which not only affected the cost of South Korea's petroleum imports but also weakened demand worldwide for its exports. During 1974, the ROK Government attempted countermeasures to stimulate the economy, resulting in a huge balance-of-payment problems which continued through 1975.

The oil crisis of 1973 also led to a greater degree of cooperation between U.S. oil companies and their Korean partners. The South Koreans were quite concerned that in the case of another Arab oil embargo they would be penalized because of their close ties with the United States. Therefore, they sought the guaranteed crude oil supply which the American companies, with their access to non-Arab sources, could provide. At the same time, with profits from the sale of crude oil drastically reduced as a result of OPEC actions, U.S. oil companies sought a greater share of the profits from their joint-venture refineries in Korea.<sup>99</sup>

#### THE NIDECKER INCIDENTS

In May 1974, the Park Government made an attempt to buy influence in the White House. John E. Nidecker, special adviser to President Nixon on congressional affairs, testified that during a visit to Seoul at that time he had been given an envelope containing \$10,000 in U.S. currency. The envelope was signed by Park Chong Kyu, Chief of the Presidential Protective Force. At Nidecker's request, the U.S. Embassy returned the money to Park. During his stay in Seoul, the Koreans had tried several times to restrict his contact with dissident religious leaders, including Stephen Cardinal Kim. Shortly after Nidecker returned to the United States, Korean National Assemblyman Row Chin Hwan visited him at his White House office and offered to contribute funds to congressional election campaigns to be designated by the White House. Nidecker turned down the offer.<sup>100</sup>

#### MOON DEMONSTRATION FOR THE KCIA

By the end of 1973, Sun Myung Moon and his Unification Church had become highly visible in the United States, and questions began to arise as to possible ties with the Korean Government.<sup>101</sup> Moon's campaign to prevent the impeachment of President Nixon intensified the controversy surrounding him and his movement. In Korea, industries run by the Moon Organization had

<sup>99</sup> See "Part C-IV: Economic Relations," pp. 243-244.

<sup>100</sup> KI-5, pp. 13-31.

<sup>101</sup> See the "Moon Organization" in "Part C-V: Educational, Informational, and Cultural Activities," pp. 338-343.

become defense contractors for the Government, and ROK officials were attending anti-Communist indoctrination sessions at a Moon training center.

In Seoul on August 15, 1974, during a ceremony commemorating the liberation from Japan, Madame Park Chung Hee was shot and killed by a Korean resident of Japan who was apparently attempting to assassinate President Park. The Korean Government blamed the incident on Japan and, using public antipathy toward Japan and genuine grief over Madame Park's death, organized demonstrations almost daily for a month. In the most extreme demonstration, a crowd stormed the Japanese Embassy and sent diplomats fleeing from their offices.

There were written orders to the KCIA in Washington in early September 1974 which ordered a parallel anti-Japanese demonstration to be staged in the Washington area. The station chief, Kim Yung Hwan, recruited a group of demonstrators. On the day when the demonstration was to occur, Col. Lim Kyuil, another KCIA official, received and carried out orders from Seoul to stop the group of "Unification Church people" on their way to demonstrate in front of the Japanese Embassy.<sup>102</sup> The subcommittee received sworn testimony and other information confirming that this demonstration had been planned at the behest of the KCIA and with KCIA funds.<sup>103</sup>

#### CONGRESS CUTS MILITARY AID

In December 1974, Congress cut the administration's request of \$238 million in military assistance to Korea for fiscal year 1975 to \$145 million and provided that the amount could be raised to \$165 million if the President certified to Congress that there had been significant improvement in the observance of human rights in Korea. The President did not make such a certification. The reduction in military assistance came as a result of joint hearings in the House of Representatives by the Subcommittee on International Organizations and the Subcommittee on Asian and Pacific Affairs, at which witnesses described widespread and systematic violations of international human rights standards.<sup>104</sup> Cutting military assistance because of human rights violations represented to the ROK Government an odious linkage by Congress of two vital Korean concerns—maintaining firm military support and enhancing the image of the Park Government. These concerns were also the reasons for the influence campaign in the United States. As a consequence of the developments in Congress, lobbying became more evident, with frequent visits to Congressmen by the ROK Ambassador, approaches to Congressmen by Tongsun Park, and invitations to visit Korea. Congressman Richard Hanna, in a lengthy letter to President Park in August 1974, asserted that his and Tongsun Park's efforts had "neutralized the effectiveness of the hearings," and attested to "the success of Mr. Tongsun Park's activities on your behalf in Washington." He reported that five

<sup>102</sup> KI-5, pp. 69-72.

<sup>103</sup> KI-5, pp. 2, 71, 72, 75, and 76.

<sup>104</sup> "Human Rights in South Korea: Implications for U.S. Policy," hearings before the Subcommittee on Asian and Pacific Affairs and on International Organizations and Movements of the Committee on Foreign Affairs, U.S. House of Representatives, 93d Cong., 2d sess.; July 30, Aug. 3, and Dec. 20, 1974.

Congressmen who submitted statements for the hearings "were personally selected by us,"<sup>105</sup> and in a separate letter to the Director of the KCIA, that he and Tongsun Park "stayed up many nights drafting these documents ourselves."<sup>106</sup>

In the face of continued and growing opposition to his policies, President Park announced on January 22, 1975, that there would be a national referendum to ask for public support of the Yushin system. He declared that if the people disapproved Yushin, he would resign immediately. The referendum was to be held under the emergency decrees which forbade criticism of the constitution as well as under the rules against campaigning. The referendum was held on February 12. According to official figures, the Yushin Constitution was supported by 73.1 percent of the voters.

During 1974 and 1975, the ROK Government was in the process of shifting Tongsun Park's responsibilities for influence activities in Congress to Hancho Kim, a Baltimore businessman.<sup>107</sup> Park was being phased out because his activities were considered too conspicuous and therefore a liability to the Korean Government. Influence activities during this period were directed increasingly by Yang Doo Won, then the third-highest KCIA official in Seoul, outside of normal channels. In many cases, the Washington KCIA station chief was unaware of Yang's instructions because they were sent directly to Kim Sang Keun, his subordinate.<sup>108</sup>

#### THE SCANDAL BREAKS

Beginning in the spring of 1975, there was a series of revelations of questionable activities by the Korean Government which were to have a serious impact on Korean-American relations.

At a May 16 hearing of the Subcommittee on Multinational Corporations of the Senate Foreign Relations Committee, the chairman of Gulf Oil Corp. revealed that under Korean Government pressure Gulf had paid the DRP \$1 million in 1967 and \$3 million in 1971.<sup>109</sup> The Gulf revelations have never been published in Korea, and foreign publications carrying the story were censored.

In early 1975, certain intelligence information which the State Department characterized as implying extralegal attempts by the Korean Government to influence Members of Congress and their staff was brought to the attention of Philip Habib, then Assistant Secretary of State for East Asian and Pacific Affairs. Habib immediately showed the information to Secretary of State Kissinger and more detailed information was sought, at the request of the President.

On June 10, at hearings of this subcommittee regarding human rights in South Korea, former Korean diplomat Lee Jai Hyon outlined a plan for ROK influence activities in the United States as it had been explained to him and other embassy staff by the KCIA prior to Lee's defection in 1973. One aspect of the plan outlined by

<sup>105</sup> Letter from Congressman Richard Hanna to President Park Chung Hee, Aug. 27, 1974; see appendix C-5.

<sup>106</sup> Letter from Congressman Richard Hanna to KCIA Director Chick Soo Shin (Shin Jik Soo) Aug. 27, 1974, see appendix C-5.

<sup>107</sup> See "Part C-III: Executive Branch Awareness of Questionable Korean Activities," p. 151.

<sup>108</sup> See "Part C-II: Intelligence Activities and Plans," pp. 98-99.

<sup>109</sup> *Op. cit.*, Multinational Corporations and United States Foreign Policy, pp. 8-9; see also "Part C-IV: Economic Relations," pp. 232, 234.

Lee was to "buy off American leaders—particularly in Congress." Lee testified that he personally had seen Ambassador Kim Dong Jo stuffing \$100 bills into envelopes prior to visiting Capitol Hill.<sup>110</sup> There was little public reaction to Lee's revelations at that time, but his testimony led the subcommittee to begin an examination of KCIA activities in the United States which in turn culminated in this Investigation of Korean-American Relations.

In late 1975 Assistant Secretary of State Habib received additional intelligence information. Secretary of State Kissinger obtained President Ford's authorization to transmit the information received from Habib to the Justice Department. The ensuing investigation had a major impact on Korean-American relations in the succeeding years.

During the fall of 1976, American newspapers printed a number of articles on South Korean influence activities in the United States, specifically mentioning Tongsun Park and the Justice Department's investigation. In the midst of this publicity, Tongsun Park left the United States in mid-October. A few days later, on October 26, a front-page article with a banner headline appeared in the Washington Post about the extent of Korean influence-buying in Congress and the central role played by Tongsun Park.

The Park Chung Hee Government, shaken by the publicity, took a series of steps to curtail the influence operations and to limit the inquiries into its activities. On November 9, Yang Doo Won, who, as noted above, had been in charge of many influence operations, was dismissed by President Park. On November 23, the New York Times reported that KCIA officer Kim Sang Keun was being recalled to Seoul. However, Kim requested political asylum in the United States, fearing that he would be held responsible for the publicity over the scandal.

Following the defection of Kim Sang Keun, the ROK Government became concerned that other KCIA officials might defect. In early December, Seoul sent a high-ranking KCIA official to Washington to persuade station chief Kim Yung Hwan to return to Korea; Kim did return. Other persons intimately involved in Korean influence activities also left the United States during this time. For example, in November and December Hahn Kwang Neun of the Hankook Shinmoon and General Kang Young Hoon of the Research Institute on Korean Affairs both left the United States.<sup>111</sup>

On December 4, President Park ousted the director of the KCIA, Shin Jik Soo, and replaced him with Construction Minister Kim Jae Kyu. Seoul drastically reduced the number of KCIA personnel in the United States. They were ordered to assume a low profile by confining their activities to collection of intelligence from overt sources or through liaison and to refrain from anything that might be considered coercion, manipulation, or attempts to influence.

The unfolding scandal became a factor complicating the Carter administration's conduct of relations with South Korea. During his campaign for the presidency, Carter made a statement condemning political repression in South Korea and calling for a phased with-

<sup>110</sup> Op. cit., "Human Rights in South Korea and the Philippines: Implications for U.S. Policy," pp. 177-192.

<sup>111</sup> Regarding Kang: Letter of Dec. 19, 1976 from Kang to his attorney, corroborated in a number of staff interviews. Regarding Hahn: Staff interview with Kim Tong-Hyon on Nov. 15, 1977.

drawal of all U.S. ground troops.<sup>112</sup> The scandal in Washington intensified the controversy over Korea in Congress and among the public. By the beginning of 1977, when this Investigation of Korean-American Relations was initiated, all three issues—troop withdrawal, human rights, and the scandal—had become entangled and seemed certain to complicate Korean-American relations for some time to come.

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<sup>112</sup> See "Part C-I: Security and Political Affairs," p. 71.

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## PART C

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### INVESTIGATIVE FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

This part of the report contains the findings, conclusions, and recommendations of the investigation, reflecting the subject areas which the Committee on International Relations directed the subcommittee to study. There are five main sections: "Security and Political Affairs"; "Intelligence Activities and Plans"; "Executive Branch Awareness of Questionable Korean Activities"; "Korean-American Economic Relations"; and "Educational, Informational, and Cultural Activities." Two related issues are treated separately: "International Agreements between the United States and the Republic of Korea" and "Immigration and Naturalization Service Issues."

Each section begins with a brief review of the issues which were covered in the inquiry. This is followed by the findings. Subsequently, the subcommittee's analysis and conclusions appear. In some instances, the subcommittee also formulated recommendations, which are given at the end of each section.

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## I. SECURITY AND POLITICAL AFFAIRS

In the international political setting, security has been the dominant aspect of relations between the United States and the Republic of Korea (ROK). The subcommittee examined security and political issues to determine what led South Korea to take extraordinary measures to influence U.S. policy; to understand the steps the ROK took to meet its security needs, given a reduced U.S. presence; and to describe the foreign policy context within which the so-called "Koreagate" scandals occurred.

### THE DYNAMICS OF THE REGION

Because of Korea's strategic location, its history has been marked by extended periods of control or strong influence by four powers—China, Japan, Russia, and the United States. However, its present division is unprecedented. The invasion of the Democratic People's Republic of Korea (DPRK) in 1950 and the subsequent 3 years of warfare involving both Chinese and American forces served to solidify the post-World War II political division and sustain the animosity and distrust between the two Koreas. In the 1960's and 1970's, however, certain events outside Korea changed the cold war premises on which North-South hostility had been based.

The Sino-Soviet split was one of the factors which encouraged the United States and the People's Republic of China (PRC) to move toward normalization of relations in the early 1970's. Japan, the other regional power with a strong interest in the Korean Peninsula, developed trade relations with the PRC during the 1960's and established diplomatic relations in 1972.

Détente between the United States and the Soviet Union underlined the gradual shift from a bipolar world system to a multipolar system. It was now conceivable that certain groupings of traditional rivals could act together to achieve common goals (for example, United States and Japan with the PRC). In the view of many experts, the Sino-Soviet split made it nearly impossible for those two powers to pursue a joint policy in support of North Korean aggression. Furthermore, the military confrontation between China and the Soviet Union at their border increased the desire of each to see a stable situation in Korea. Others have pointed out that the Sino-Soviet rivalry gave North Korea's Kim Il Sung an opportunity to play one Communist power off against the other. However, the fact that the Soviet Union had not provided any military aid to North Korea since 1973, while the PRC had continued to do so, indicated that the Soviet Union did not feel compelled to compete with the PRC in North Korea.

In 1971, talks between North and South Korea began in response to the budding rapprochement between the United States and the PRC and reduced tension on the peninsula following the lessening

of armed infiltration by the North into the south. However, the talks broke off in 1973 as a result of strongly held, divergent views as to how reunification should be achieved.

The developments acted to reduce the level of tension on the Korean Peninsula. However, there remained the question of how the Sino-Soviet rivalry would influence Chinese and Soviet responses to a military move by North Korea against the South. Although most analysts agreed that neither the Soviet Union nor China would encourage the use of military force by North Korea to expand its influence on the peninsula, there was disagreement over how each country would react to a unilateral military action by North Korea against South Korea. Most believed that because of the Sino-Soviet rivalry, both would lend some form of military support to North Korea and risk the consequences of a confrontation with the United States. However, these predictions are complicated, in the view of one analyst, by the fact the Soviet Union has not supplied military assistance to North Korea since 1973. Furthermore, Peking's efforts since 1971 to improve relations with the United States and Japan would be seriously jeopardized if the PRC became actively involved in a renewed Korean conflict.

#### *Role of U.S. forces in South Korea*

The subcommittee interviewed many U.S. military and civilian officials concerning the nature of the military relationship of the United States and the Republic of Korea. That relationship was defined in large part by the origin of U.S. involvement in Korea, the regional dynamics described above, and U.S. politics.

The primary role of the U.S. military since the Korean war has been to deter an attack by North Korea. The potential for destruction on the Korean Peninsula is enormous and had been so since the Korean war. By 1977, the region as a whole contained active armed forces of over 1.1 million (ROK—600,000; DPRK—520,000), and reserve forces estimated at over 4 million (ROK—2.8 million; DPRK—1.8 million), making it one of the most militarized areas in the world. Added to that were the extensive armaments available to those forces.

It has been a tenet of U.S. policymakers that conflict could be deterred by a proper balance of forces on the peninsula. The balance, since the Korean war, included a large U.S. military presence, under the aegis of the U.N. Command. U.S. forces in Korea were, however, just one factor, though a key one, which contributed to deterring a North Korean attack. Other important factors were the relative military strengths of North and South Korea and the strength of additional U.S. forces outside of Korea which probably would be introduced into any conflict.

U.S. forces also served to deter the ROK from attacking, or being provoked to attack, the DPRK. Further, the presence of U.S. forces in South Korea assured Japan of the constancy of its security relationship with the United States.<sup>1</sup> As long as there was no question of the U.S. commitment to defend South Korea, little doubt existed among the Japanese as to the strength of U.S.-

<sup>1</sup> The Japanese Constitution, which resulted from the U.S. occupation of Japan at the close of World War II, prohibits the development of a Japanese military. However, Japan does maintain defensive forces. Any change in this arrangement or the United States use of Japanese bases for offensive operations would be a matter of controversy within Japan.

Japanese mutual defense arrangements. Thus the United States acted as a stabilizing force in the region.

By the late 1960's, plans were made for withdrawing U.S. ground troops from the ROK, with total withdrawal ultimately scheduled for the 1980's. Given a reduced ground presence, the United States has been and intends to contribute to the military balance on the peninsula by means of the Mutual Defense Treaty, further modernization of Korean forces, and development of ROK defense industries. This process has been occurring throughout the 1970's.

Succeeding subsections examine in closer detail the key factors in United States-Korean security and political affairs in the 1960's and 1970's.

#### FACTORS IN MODERN KOREAN-AMERICAN RELATIONS

##### *The Vietnam war*

From the time the United States first committed combat troops to Vietnam in 1965, Washington had endeavored to involve Allied Forces in the war.<sup>2</sup> Enlisting Korean forces in the war effort was given high priority. The United States needed Korean troops not only to assist in military operations, but also for public relations reasons. Worried about public support, President Johnson had to "sell the war" as an important concern of the free world. He needed to demonstrate that other non-Communist nations were interested enough in South Vietnam's fate to sacrifice lives.

Only the Koreans made a commitment substantial enough to provide that proof. From 1966 through 1973, South Korea maintained a force level of about 50,000 in Vietnam, a large commitment for a country of only 30 million.

Korea favored participation in the Vietnam war for several reasons, shared by both the Government and many citizens: the experience with North Korea made them want to make "a dramatic demonstration of Korea's determination to join in the resistance against Communist aggression";<sup>3</sup> dispatching a combat force abroad would be a sign of growing national maturity and strength; and the benefits of additional payments from the United States would be a plus for the economy.

In 1965, President Johnson invited President Park to Washington to discuss the proposed Korea-Japan treaty and the dispatch of a division of ROK combat troops to Vietnam. Although President Park agreed in principle to the dispatch, he needed National Assembly approval. Johnson helped him gain that approval with a promise of \$150 million in economic development loans, a commitment to "maintain powerful [U.S.] forces in Korea,"<sup>4</sup> and a slowing down of the transfer of U.S. helicopters and other military equipment from Korea to Vietnam. (These commitments were later spelled out in the Howze letter.)<sup>5</sup> The National Assembly approved the dispatch with little debate.

<sup>2</sup> There is executive branch reporting indicating that the initiative originally came from the ROK Government.

<sup>3</sup> Address by William Bundy entitled "Korea a Freeworld Partner in the Far East" before the Korean Cultural and Freedom Foundation, in Washington, D.C., Sept. 29, 1965.

<sup>4</sup> Joint ROK-U.S. communique, May 18, 1965, Department of State Bulletin 52:950-4, see appendix C-8.

<sup>5</sup> General Howze letter, July 1965, see "Part C-IV: Economic Relations", p. 174.

In connection with the dispatch of a second division of ROK combat troops, U.S. Ambassador Winthrop Brown signed what became known as the "Brown Memorandum" in March 1966. This document superseded the Howze letter in 1965. It expanded the types and amounts of compensation for Korean participation were expanded. A senior American military officer in Korea at the time told the subcommittee that the Korean Government had wanted badly to commit more troops to Vietnam because of the foreign exchange that would result. In the end, the total amount spent by the United States for Korean participation in the Vietnam war came to about \$1 billion. Of this amount, about \$925 million entered ROK foreign exchange reserves.<sup>6</sup> The ROK Government benefited also from the high pay rate the United States provided for Korean troops (part of the agreement). They were paid at close to U.S. pay levels but, according to Ambassador William Porter, "the moneys were remitted to the government which then paid its troops at levels which were substantially less."<sup>7</sup>

Negotiations for an additional 11,000 Korean combat troops began in the fall of 1967, and another compensation program was drawn up. The planned date of deployment was March 1968, but the Blue House raid and the capture of the U.S.S. *Pueblo* in January 1968 halted the plans.

### *Blue House raid*

Coincident with the discussions over the deployment of more troops, North Korea had begun a campaign to disrupt the South which was marked by dramatic increases in border provocations, infiltrations, and fatalities. In 1967 alone, infiltrations caused 131 deaths, compared with 35 the year before.<sup>8</sup>

The most notable incident occurred on January 21, 1968, when North Korean commandos attempted to raid the Blue House, the Presidential Mansion in Seoul, and assassinate President Park.<sup>9</sup> This was the first terrorist raid on Seoul since the Korean war. On January 16, a group of 31 armed commandos left Pyongyang for the South. They had received 2 weeks of intensive training as part of a 2-year program of the DPRK Army aimed at overthrowing the ROK Government. The team was divided into six groups, each having a specific mission within the Blue House.

Dressed as ROK soldiers, the unit crossed the DMZ undetected. On the way to Seoul, four South Koreans were taken prisoner but quickly released. Although they informed local authorities, the commandos were successful in reaching Seoul.

The mission was thwarted when the team encountered ROK forces approximately 1 kilometer from the Blue House. In the ensuing gunfight and subsequent search for the commandos who escaped, all but three commandos were killed, along with 2 American and 26 ROK soldiers. Two of the North Koreans escaped; the third was captured and interrogated.

<sup>6</sup> General Accounting Office report "U.S. Assistance to the Republic of Korea," July 12, 1973, p. 60.

<sup>7</sup> Subcommittee staff interview. William Porter was Ambassador to Korea from 1967 to 1971.

<sup>8</sup> Department of State bulletin, Oct. 3, 1968, p. 512, see appendix C-12.

<sup>9</sup> Statement by Ambassador Arthur Goldberg at the United Nations condemning North Korean actions, Jan. 25, 1968; see appendix C-10.

The captured commando, 2d Lt. Kim Shin Jo, said at a press conference that the objective of the mission had been "to get the head of [President] Park and kill important subordinates."<sup>10</sup> He had not expected failure, adding "we came prepared to die for the mission."<sup>11</sup>

Porter said it was clear the raid came as a great shock to the Korean Government and people. Richard Ericson, the political counselor under Porter, said the raid was an enormously significant event to all South Koreans because they believed the North Koreans "came within 800 meters of taking Park's life."<sup>12</sup> The event seriously affected confidence in their security and antiinfiltration capability.

The ROK Government wanted to respond with force, but the United States was opposed. At a meeting immediately after the raid, President Park told Ambassador Porter that ROK forces could be in Pyongyang in 2 days' time. Porter replied that Park "would have to do it alone."<sup>13</sup> The Chief of Staff of the U.N. Command, Lt. Gen. Robert Friedman, met that night with Minister of National Defense Kin Sung Eun and told him, as instructed, that the United States would take a dim view of any attempt at armed retaliation.<sup>14</sup>

The ROK Government was very upset by the failure of the United States to respond strongly. As far away as Vietnam, Gen. William Rosson reported<sup>15</sup> that he sensed a change in attitude among Korea officials. The commanding Korean general no longer extended the customary invitations to eat in the Korean officer mess or to exchange ideas informally.

In Washington, policymakers did not rule out the possibility that President Park might launch a unilateral attack against the North. In fact, it is unclear to what extent a ROK policy instituted in the previous year to conduct retaliatory raids against the North played a part in prompting the North Koreans to consider a more serious raid into South Korea. There were indications the South had inflicted casualties in the north during short-range commando raids in the fall of 1967.

### *Capture of the U.S.S. "Pueblo"*

Before the United States had time to decide exactly how to respond to the Blue House raid, the intelligence ship U.S.S. *Pueblo* was captured by North Korean forces near Wonsan on January 23, 1968—only 2 days after the commando raid. The *Pueblo* had been gathering information on the DPRK and the movement of Soviet submarines in the Sea of Japan. According to U.S. radio triangulations, the ship was 15 miles from shore, 3 miles outside DPRK territorial waters. One crewmember was killed and the other 82 were captured without a fight, having spent most of their available time destroying sensitive materials. In North Korea, harsh treatment, including torture, resulted in confessions by Comdr. Lloyd

<sup>10</sup> President Park had earlier told Ambassador Porter that Porter was the North Koreans' "No. 2 target."

<sup>11</sup> The New York Times, "North Korea Says Kim Was To Assassinate Park," Jan. 23, 1969, p.

6.

<sup>12</sup> Subcommittee staff interview.

<sup>13</sup> Subcommittee staff interview.

<sup>14</sup> Subcommittee staff interview.

<sup>15</sup> Subcommittee staff interview.

Bucher and others, who admitted to trespassing in North Korea's territorial waters on a "spy" mission.

In Washington and at the American Embassy in Seoul, the *Pueblo* incident quickly overshadowed the Blue House raid. This time the United States responded with urgency. Recapturing the ship was out of the question—aircraft had not been able to reach the ship's position in time, and when they did, the *Pueblo* had already been towed within North Korean territory. However, 350 American warplanes were flown into South Korea without prior approval by the Seoul Government; the carrier U.S.S. *Enterprise* was positioned off the North Korean coast; and President Johnson activated over 14,000 Air Force and Navy reservists as a military backdrop to diplomatic efforts. Fearing the opening of a second Asian front, Johnson explained, "We had to be ready in case North Korea started something, and we had to shore up the South Korean defenses."<sup>16</sup> On January 27, President Johnson denounced North Korea for the Blue House raid and the capture of the *Pueblo*.

He and other top U.S. officials held the view that the Blue House raid and the capture of the *Pueblo* had been tactics planned by North Korea to divert American attention on the ROK while the Tet offensive was being mounted and to discourage South Korea from sending more troops to Vietnam. On February 2, after North Vietnam launched the Tet offensive, Johnson stated:

Practically every expert I have talked to on Korea and North Vietnam \* \* \* believe there is a definitive connection between the *Pueblo* incident and heightened enemy pressure in South Vietnam.<sup>17</sup>

South Korean leaders were highly indignant that the United States was more concerned about the *Pueblo* incident than the Blue House raid.<sup>18</sup> They were already dismayed that the response to the raid had not been stronger. Minister of Defense Kim Sung Eun was upset that the United States showed little sympathy over the near killing of President Park, whereas one boat caused it "to move Heaven and Earth."<sup>19</sup> Foreign Minister Choi Kyu Ha declared in a press statement that his Government was firmly opposed to Washington's emphasis on the seizure of the *Pueblo* over the problem of North Korean infiltration. He said South Korea would not agree to the North Korean suggestion to trade the Blue House infiltrators for the *Pueblo* crew, nor would it tolerate the U.S.-initiated bilateral talks between the United States and the DPRK. More than 100,000 persons demonstrated in Seoul on January 31, demanding assistance from the United States and the United Nations to prevent a recurrence of North Korean commando raids.<sup>20</sup>

The ROK Government viewed the taking of the *Pueblo* as a side issue, nothing to warrant the great significance it was accorded in Washington. This gap between American and Korean perceptions

<sup>16</sup> Johnson, Lyndon B., *The Vantage Point* (New York: Holt Rinehart, Winston, 1971), p. 536.

<sup>17</sup> *The New York Times*, Feb. 3, 1978, p. 8.

<sup>18</sup> Subcommittee staff interview.

<sup>19</sup> Subcommittee staff interview.

<sup>20</sup> "United States began to put issue of *Pueblo* to North Korea," *The New York Times*, Feb. 1, 1968, p.1.

caused Korean leaders to begin rethinking the relationship with the United States.<sup>21</sup>

### *Vance mission*

The situation in Seoul was extremely volatile, with talk of South Korean retaliation against North Korea. Ambassador Porter recommended that President Johnson become involved. Accordingly, former Deputy Secretary of Defense Cyrus Vance was sent to Seoul in February 1968 as a special Presidential envoy to talk to President Park. Johnson told Vance the mission was important because the United States could not afford a second war front in Asia.

The Vance mission had four objectives:

- (1) To get the ROK to agree that it would take no independent action against North Korea.
- (2) To persuade President Park that the United States stood with him and to reassure him of the strong mutual alliance between the two nations.
- (3) To try to dampen the desire for retaliatory action.
- (4) To get ROK consent to United States/North Korean bilateral negotiations on the release of the crew of the *Pueblo*.<sup>22</sup>

In the end, Park and Vance agreed on avoiding military retaliation; and the communique issued at the close of the talks indicated administration support for a \$100 million supplemental increase in military assistance pending before Congress.

Vance described the 5-day mission as successful for having provided "renewed confidence in the solidarity of the alliance."<sup>23</sup> He recommended to President Johnson and Vice President Humphrey that a comprehensive study of relations with the ROK be undertaken<sup>24</sup> and that the two countries hold high-level meetings annually to discuss security issues.

### *The Honolulu meeting*

At the end of March, the ROK Government became alarmed by President Johnson's call to halt the bombing of Vietnam and his announcement that he would not seek reelection. At a meeting in Honolulu in April, when Johnson tried to persuade Park to commit additional combat troops to Vietnam, he was apparently unsuccessful. The joint communique described ROK-U.S. solidarity in resisting communism both in Vietnam and in Korea but did not mention more troops.<sup>25</sup>

Nevertheless, the combination of the Vance mission and the Honolulu meeting did allay Korean fears somewhat.

In the meantime, DPRK activities had continued unabated. In November, an 80-100 man guerrilla force landed on the coast of South Korea; it took several weeks for United States and ROK forces to capture or kill the infiltrators.

American policymakers tended to view these incidents against the backdrop of the Vietnam war and global politics. To South Korean leaders, however, the incidents were alarming developments in the context of the North-South confrontation. According-

<sup>21</sup> Subcommittee staff interview.

<sup>22</sup> Subcommittee staff interview.

<sup>23</sup> "Confidence in U.S. Has Ebbed in Seoul," the New York Times, Feb. 16, 1968, p. 32.

<sup>24</sup> Subcommittee staff interview.

<sup>25</sup> Joint ROK-U.S. communique, Apr. 15, 1968; see appendix C-11.

ly, they felt frustrated over the failure of the United States to respond more forcefully to Communist aggression in Korea and Vietnam. Consequently, the incidents precluded an increase of South Korean troops in Vietnam.

### *The EC-121 incident*

Early in the Nixon administration, there was another incident between the United States and North Korea. On April 14, 1969, a naval intelligence plane, an EC-121 operating out of Japan, was shot down by North Korea over the Sea of Japan. The 31 members of the crew were killed. From all indications, the mission of the EC-121 was routine and was conducted far from North Korean territorial waters.

According to Nixon's memoirs,<sup>26</sup> the National Security Council gave serious consideration to two responses. Option 1 involved a retaliatory strike against a North Korean target. Option 2 would continue the EC-121 reconnaissance flights but with combat escorts. Initially, Nixon and Kissinger favored retaliation, while Secretaries Laird and Rogers counseled against it.<sup>27</sup> In the end, the President chose the second option to avoid the risk of opening a second front and antagonizing the Soviet Union and China. Secretary of State Rogers defended the decision later by saying "[i]n international affairs the weak can be rash; [but] the powerful must be restrained."<sup>28</sup>

In South Korea, sentiments were different. The Minister of Culture and Information declared that "the United States and other free world nations in firm unity should take prompt and effective action so that the North Korean Communists may not repeat such a 'war game.'" <sup>29</sup>

Two days later, on April 20, 1969, President Park stated the ROK Government position, adding the need for additional aid.

[The President] pointed out that similar incidents would take place in the future unless the United States takes some tough countermeasures, [and asked] for the U.S. military assistance on an increasing scale to keep military supremacy over North Korea.<sup>30</sup>

### *The Guam doctrine*

The next major incident in U.S.-ROK relations was Nixon's announcement of what came to be known as the Guam doctrine. In April 1967, Nixon had traveled to Asia to renew contacts with political leaders and further develop his ideas about the world situation. In Indonesia, during an extensive talk with Ambassador Marshall Green, Nixon emphasized the need to reduce commitments of ground troops in Asia and to reevaluate relations with the People's Republic of China.<sup>31</sup>

Later in 1967, in an article in *Foreign Affairs* entitled "Asia After Vietnam," Nixon envisaged a new policy, growing out of the Vietnam experience:

<sup>26</sup> RN, *Memoirs of Richard Nixon* (New York: Grosset and Dunlop, 1978) p. 384.

<sup>27</sup> Subcommittee staff interview.

<sup>28</sup> *Korea Herald*, "Powerful Nations Must Show Restraint," Apr. 18, 1969, p. 1.

<sup>29</sup> *Korea Herald*, "Red Shooting Act of Air Piracy," p. 1.

<sup>30</sup> *Korea Herald*, "Park Cabinet Discuss Reaction," Apr. 20, 1969, p. 1.

<sup>31</sup> Subcommittee staff interview.

One of the legacies of Vietnam almost certainly will be a deep reluctance on the part of the United States to become involved once again in a similar intervention on a similar basis.

\* \* \* [t]he central pattern of the future in U.S.-Asian relations must be American support for Asian initiatives.<sup>32</sup>

The article presented two other considerations of Nixon's: the United States should contemplate establishing some kind of relationship with the People's Republic of China; and the United States should be tolerant of Asian countries which were not following western democratic ideals.

When Ambassador Marshall Green became Assistant Secretary of State for Asian and Pacific Affairs in the Nixon administration, he prepared a paper for the President setting forth what he considered to be Nixon's views. The points were derived from conversations with Nixon and from the Foreign Affairs article. Green described a change in the mood of the American people as a result of involvement in Asia:

While U.S. interests remain essentially the same and the commitments immutable, there is undeniably a change in mood of the American people. They will be cautious about undertaking new commitments. They are becoming somewhat impatient with carrying what many consider to be a disproportionate share of the burden of military security and economic assistance in areas which, while important to the United States, are nevertheless distant. They are asking more and more frequently what other countries are doing to help themselves and each other to share these burdens. The attitude of the American people and the capacity of the new administration to cooperate further in Asia will thus depend to an important extent upon what the countries of the area are prepared to do for themselves and for each other.<sup>33</sup>

The culmination of Richard Nixon's rethinking of the U.S. role in East Asia was revealed at an informal press conference on Guam in July 1969. The contents and timing of the statement were his own and surprised even his advisers. The policy he enunciated, known both as the Guam doctrine and the Nixon doctrine, was to be the basic theme of his administration's policy toward East Asia. It contained three main propositions:

(1) The United States would honor its treaty commitments.

(2) The United States would provide a shield if a nuclear power threatened the freedom of certain nations.

(3) In cases of other types of aggression, the United States would furnish military and economic assistance when requested and appropriate, but nations directly threatened should assume primary responsibility for their own defense.

In conclusion, Nixon said,

\* \* \* we must avoid that kind of policy that will make countries in Asia so dependent on us that we are dragged into conflicts such as the one we have in Vietnam.<sup>34</sup>

The initial reaction of Korean leaders to the Guam doctrine was expressed to Secretary of State Rogers and Marshall Green in Seoul a few days after Nixon's press conference. Green recalled the

<sup>32</sup> Foreign Affairs, "Asia After Vietnam," October 1967, vol. 46, No. 1, p. 113, see appendix C-9.

<sup>33</sup> "Investigation of Korean-American Relations," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 95th Cong., 2d sess., Part 4, Mar. 15, 16, 21, 22; Apr. 11, 20; and June 20, 1978 (hereinafter referred to as "KI-4"), p. 21.

<sup>34</sup> "Informal Remarks of President Nixon with Newsmen at Guam," Documents on Korean-American Relations: 1943-76, Research Center for Peace and Unification, Seoul, Korea, 1976.

Koreans as having five concerns.<sup>35</sup> The predominant concern was whether the United States would remain a strong ally. The others were the implications for aid, the strength of the U.S. stand on Vietnam, and the U.S. position on North Korea overall and on the infiltrations specifically. At the time, the Koreans seemed not to view the Guam doctrine as ominous for their own security, nor did they indicate any expectation that the level of U.S. troops might be reduced pursuant to the doctrine.

The United States, in 1970, was to apply the Guam doctrine in Korea by withdrawing 20,000 troops. The decision to do so related directly to efforts to disengage from Vietnam. According to Gen. John Dunn, Vice President Agnew's foreign affairs adviser, in order for the United States to remove itself from Vietnam without appearing to retreat, it had to be able to say that the Guam doctrine applied to all of Asia. The foremost reason for the timing of the reduction was to legitimize the Guam doctrine, and Korea seemed the best possibility for implementing the doctrine outside of Vietnam.<sup>36</sup>

Implementation of the Guam doctrine<sup>37</sup> caused a severe disturbance in Korea. Because of its contribution in Vietnam and its historical ties with the United States, the Seoul Government had assumed that its special relationship with the United States would exempt it from the new policy.

### *Nixon-Park meeting*

Partly in response to the Korean reaction and partly to President Park's desire to meet with Nixon as had President Thieu of South Vietnam a few months earlier, less than a month after announcing the Guam doctrine, Nixon invited Park to San Francisco for a state visit, August 21-23, 1969.<sup>38</sup> Nixon greeted Park by praising South Korea's ability to assume the major share of the responsibility for defending Korea against the threat from the North.<sup>39</sup> He noted that South Korea had supplied more troops to assist South Vietnam than any country other than the United States. President Park endorsed the Guam doctrine as it related to American encouragement of "Asia for the Asians" and Korean self-sufficiency.<sup>40</sup>

Ambassador Porter, who flew to San Francisco with President Park, met privately with President Nixon before Nixon and Park began their talks. The President wanted to know if troop reduction in the ROK was feasible. According to Porter, Nixon said he "would have to move on the matter of removing troops" because he was under great pressure from Mr. Mills [Representative Wilbur Mills (D.-Ark.), chairman of the House Ways and Means Commit-

<sup>35</sup> For State Department description of implementation of the Guam doctrine and for congressional reaction to Guam doctrine (Congressional Record, July 28, 1969, S8637), see appendix C-13.

<sup>36</sup> Subcommittee staff interview.

<sup>37</sup> Vice President Agnew visited 10 Asian countries in December 1969. He told the subcommittee that the Nixon doctrine was received by Asian leaders like a "lead balloon." Agnew believed that longtime allies of the United States felt a sense of abandonment because of the new policy. Subcommittee staff interview.

<sup>38</sup> Joint ROK-U.S. communique, Aug. 21, 1969, Department of State Bulletin 141:243; see appendix C-14.

<sup>39</sup> The New York Times, "Nixon Greets Park—Stresses South Korean Responsibility for Defense," Aug. 22, 1969, p. 8.

<sup>40</sup> White House press release, Aug. 21, 1969.

tee]."<sup>41</sup> Porter surmised during a subcommittee interview that Nixon wanted the troop reduction in order to show the American people he would fulfill his pledge to cut down troop deployments in Asia. Porter told the President that he thought the reduction would be manageable provided the United States did not "step up the pace too rapidly."<sup>42</sup> At the conclusion of the meeting, Nixon told Porter that the Embassy would be receiving instructions from Washington on reduction. Nothing was said publicly at the time.

One other significant issue, unrelated to the Nixon-Park meetings, emerged at this time. A telegram signed by 200 Korean residents of the United States protested Park's intention to revise the Korean constitution so he could run for a third term.<sup>43</sup> The New York Times reported that "President Nixon was careful to avoid any hint of political support for President Park in the South Korean leader's effort to amend his nation's Constitution \* \* \* " However, by the time Park returned to Seoul, Nixon's statement on the "remarkable gains by the ROK under Park's leadership"<sup>44</sup> was being interpreted by Park's supporters as implying approval for amending the Constitution.

### *1970-71 troop reduction*

Many experts have argued that the withdrawal of U.S. forces from South Korea in 1949 led to the North Korean invasion. Since the end of the Korean war, the United States had maintained two Army divisions in the ROK, and planning of troop movements in or away from Korea was always handled with sensitivity.

Nevertheless, as early as 1963, discussions on troop reductions were held at the Pentagon. In 1966, Secretary of Defense McNamara expressed concern that U.S. troop strength was out of proportion to the Pentagon's perception of the threat from North Korea and that South Korea was sufficiently strong to assume a greater role in its own defense. For those and also budgetary reasons, he proposed a troop reduction. The plans were not carried out because of President Johnson's overriding interest in enlisting allies for combat in Vietnam, according to an aide to McNamara.<sup>45</sup>

George Newman, Ambassador Porter's deputy in Seoul from 1966 to 1968, recalled that both he and the Ambassador wanted to begin removing ground troops from Korea.<sup>46</sup> One of their concerns was that an attack on the North by the South would automatically involve the United States. However, they saw the role of Korean troops in Vietnam as so important they did not even consider making the suggestion.

On the other side was Gen. Charles H. Bonesteel, U.S./U.N. Commander at that time, who was reported to have felt the United States was being lulled into a false sense of security by the reduction in North Korean hostilities after the *Pueblo* capture. He firmly opposed any troop reduction. Secretary of State Rusk, too, argued that the current level of troops was needed for security and

<sup>41</sup> KI-4, p. 38.

<sup>42</sup> Subcommittee staff interview.

<sup>43</sup> The New York Times, "Koreans in U.S. Bid Nixon Shun Endorsement of Park," Aug. 19, 1969, p. 9.

<sup>44</sup> Op. cit., Joint ROK-U.S. communique; see appendix C-14.

<sup>45</sup> Subcommittee staff interview.

<sup>46</sup> Subcommittee staff interview.

political reasons, especially while ROK troops were fighting in Vietnam.

In 1968, after Cyrus Vance's recommendation for a comprehensive study of U.S.-ROK relations, the State Department compiled a study which included the first formal recommendations for a gradual phased reduction of U.S. ground forces. The State Department study served as the impetus for the formation of a more formal National Security Council (NSC) study group which was to consider Presidential options on U.S. policy toward Korea. This group, however, did not finish its task by end of the Johnson administration.

With the change of administrations, Dr. Kissinger, President Nixon's Assistant for National Security, reorganized the NSC. The new organization included an office which conducted integrated systems studies of U.S. relations with other countries. In February 1969, National Security Study Memorandum 27 (NSSM 27) was issued, and it called for the continuation of the Korean study from the previous administration and gave the NSC 1 year to complete the project.

The outcome of this mammoth project was a decision on troop levels in Korea. It had involved the full National Security Council decisionmaking process, including discussions of options at five or six meetings of the Senior Review Group. The group was chaired by Kissinger and attended by top officers of the State Department, Defense Department, Joint Chiefs of Staff, and Central Intelligence Agency. With staff assistance from the National Security Council a document was prepared, based on the Senior Review Group meetings. The paper was submitted to the President and outlined three options: Remove both U.S. Army divisions; remove one division; or leave only several brigades. The President, acting on the advice of the National Security Council, decided to remove one division—a reduction of 20,000 men.<sup>47</sup> That decision was designated National Security Decision Memorandum 48 (NSDM 48) and was issued March 20, 1970. It became the official document by which the troop reduction was to be implemented.

NSDM 48 spelled out four related actions.<sup>48</sup> The first was to inform President Park of the decision and explore with him the timing and conditions of withdrawal. The reduction was to come at President Park's "initiative," the rationale being the strength of ROK troops and future improvements. Second, the administration would submit a proposal to Congress for a modernization program for the Korean military. It would include military assistance at a \$200 million level per year between fiscal years 1971 and 1975, an increase in economic assistance of \$50 million a year or more through the continuation of Public Law 480, and assurance that the United States would not further reduce forces until ROK troops had returned from Vietnam. The third item was an order for the Departments of State and Defense to consult with Congress on the aid increase and for Defense to develop plans for carrying out the troop reduction and redeploying the remaining U.S. forces away from the DMZ. Finally, a long-range plan for the U.S. presence in Korea was to be developed.

<sup>47</sup> Subcommittee staff interview.

<sup>48</sup> Subcommittee staff interview.

The decision to reduce the troop level in Korea was fully consistent with the Guam doctrine. Dr. Kissinger told the subcommittee "it was the general policy of the administration \* \* \* to seek to reduce American troop deployments abroad, and to shift the greater responsibility for their defenses to allied countries."<sup>49</sup> Adm. Thomas Moorer, Chairman of the Joint Chiefs of Staff in 1970, listed two reasons for the timing of the decision: Nixon's desire to implement the Guam doctrine and congressional pressure to "bring the boys home" from bases overseas.<sup>50</sup> These two policies, he explained, would also make it less likely that the United States become involved in another Vietnam. Gen. William Westmoreland, Army Chief of Staff at the time, interpreted the decision as part of the administration's program to cut down military spending worldwide.<sup>51</sup>

Secretary of Defense Melvin Laird thought in terms of "Koreanization," a concept derived from the policy of Vietnamization he had developed.<sup>52</sup> Laird's plan called for phased withdrawal of all U.S. forces from Korea, with a first cut of 20,000 troops, followed several years later by another. His successors at the Pentagon did not carry the plan forward beyond the first reduction.<sup>53</sup>

#### *Implementation of NSDM 48*

Donald Ranard, the State Department's Director of Korean Affairs in 1970, told the subcommittee "that both President Park and his kitchen cabinet saw the troop reductions as an issue which must weaken him at the polls, and Park had one thing in mind, and that is that he would win the 1971 election."<sup>54</sup>

In late March 1970, the decision to reduce troops was communicated to Ambassador Porter, together with instructions to begin conversations on the matter with President Park. Porter testified that Park's reaction was to tell him "that we would not be allowed to take our troops out, that we had no right to do that."<sup>55</sup> Porter replied that though the United States and the ROK were friends, the United States had no intention of giving a foreign country control over its troops.

Stiff resistance from the ROK Government continued for several months. There was particular concern that actual implementation of the withdrawal be delayed until after the presidential election. Shortly afterward, the matter was further complicated when Chou En Lai met with Kim Il Sung, reviving ROK fears of collaboration between China and North Korea.

For the ROK, the removal of the 2d Division from the DMZ meant losing the "trip wire" that would involve the United States automatically.<sup>56</sup> Porter recalled that the Korean Government said

<sup>49</sup> KI-4, p. 239.

<sup>50</sup> Subcommittee staff interview.

<sup>51</sup> Subcommittee staff interview.

<sup>52</sup> Vietnamization and Koreanization are shorthand terms for the program of reducing United States ground troops from those countries while the United States provides assistance to those countries. The terms are synonymous with the principles of the Guam doctrine. However, Laird's use of the term "Koreanization" preceded the enunciation of the Guam doctrine. Subcommittee staff interview.

<sup>53</sup> Subcommittee staff interview.

<sup>54</sup> KI-4, p. 74.

<sup>55</sup> KI-4, p. 41.

<sup>56</sup> The original plan had called for the removal of the 2d Division from the ROK. Since the 2d Division had occupied a portion of the DMZ, it was to be replaced by Korean troops. The 7th

it would simply refuse to replace the American troops on the DMZ, leaving the most vulnerable attack route unprotected. Porter regarded this as a ploy and paid it little attention.

The Korean Government's distrust of U.S. promises and policies was evident. The ROK Government was particularly disturbed to learn the United States was planning to redeploy the U.S. troops stationed at the DMZ. The new closeness between Peking and North Korea and the *Pueblo* and EC 121 incidents were cited as evidence of a continuing threat. There was also the belief that Nixon had exempted Korea from troop reductions at the meeting in San Francisco in August 1969.<sup>57</sup> Further, the Nixon administration might not be able to get Congress to respond favorably; there was no guarantee that the Congress would actually vote the funds needed to implement the modernization program, although the U.S. had emphasized to the ROK that it was an integral part of its program to convince Congress to see the modernization plan as a 5-year commitment, different from the normal annual security appropriation. Finally, there was the Korean argument that United States reductions in both Korea and Vietnam would damage the Korean economy.

These perceptions, coupled with the belief that Korea had been exempted from the Guam doctrine and the fear that Congress might not respond favorably led to a great reluctance on the part of the Korean Government to accept the U.S. plans for troop withdrawal.

#### *Korea unsure of congressional mood*

The ROK Government had many reasons to doubt whether Congress would appropriate assistance to Korea over a 5-year period. However, it was a speech by Senator Joseph Tydings on the floor of the U.S. Senate on April 9, 1970, that had caused the greatest concern. Tydings criticized the Nixon administration for failing to apply the Guam doctrine quickly to Vietnam, Korea, Thailand, Japan, and other Asian countries. Under a section entitled "U.S. Troops Not Needed for ROK Defense," Tydings stated, "South Korea today, without the assistance of any U.S. ground forces, possesses the military manpower and resources to handle any invasion threat North Korea could pose in the foreseeable future, providing U.S. air support is continued." Tydings also argued that having U.S. forces on the DMZ as a "trip-wire" violated a provision in the U.S. Constitution by which only Congress can declare war; "[f]or should the North Koreans invade across the DMZ, our front line division would automatically trigger U.S. participation in a ground war in Korea." Acknowledging the deterrent value of U.S. troops, the Senator pointed out that one division would be as effective as two. "Why would a North Korean attack on 30,000 U.S. soldiers be any less likely to insure American entry into the conflict than an attack on 55,000 U.S. soldiers?"<sup>58</sup>

(Continued)

Division, the other U.S. Division in the ROK at the time, was to remain in a reserve position south of the DMZ. As the troop reduction actually occurred, the 2d Division was removed from the DMZ and placed in a reserve position, while the 7th Division was disbanded.

<sup>57</sup> Subcommittee staff interview.

<sup>58</sup> Congressional Record, Senate, Apr. 9, 1970, pp. S5514-5518; see appendix C-15.

After Tydings' statement appeared, Under Secretary of State U. Alexis Johnson went to great lengths to calm ROK Ambassador Kim Dong Jo. However, by late April, Ambassador Porter received indications that the ROK Government was taking its case directly to Congress. He informed the State Department that the Koreans were displaying an increasing tendency to rely on friends in Congress to introduce bills, regardless of administration policy.

In May, the Korean Government continued to insist that the "meager" assurance of support for a military modernization program was insufficient to justify withdrawal of a U.S. division. Korean Government concurrence was clearly tenuous, thereby also jeopardizing U.S. congressional approval for support to the 5-year program.

Porter provided a portrait of the ROK position in a cable dated June 18, 1970.<sup>59</sup> He said the Korean Government had created and exploited public dismay over the possibility of a troop reduction and was "prepared to pull out all stops" to impress the United States with the depth of its feeling. He also saw the Government's long-range objective to be minimum withdrawal and maximum compensation, since Park and his advisers had by now realized that some withdrawal was inevitable.

The U.S. Embassy in Seoul filed the following account of Korean press reportage June 19 of an interview with the ROK Ambassador to the United States, Kim Dong Jo:

Ambassador indicated that quick withdrawal of U.S. forces might require reappraisal of ROK troops in Vietnam. Said ROK had never been informed or consulted either formally or informally about a reduction of U.S. forces in Korea. Said as long as Vietnam war being fought he did not think U.S. had seriously thought of reducing forces in Korea.<sup>60</sup>

Kim Dong Jo's threat was not taken seriously by U.S. policy-makers. Secretary of Defense Laird commented to the subcommittee that Korea had too good a deal financially to withdraw from Vietnam.

#### *Honolulu Defense Ministers Conference*

By the end of June 1970, Porter and Ranard felt it was time to get serious with the Koreans about setting a date for the troop reduction. It was decided that a firm date should be announced before the annual U.S.-ROK meeting of Defense Ministers so that it would not appear the Korean Defense Minister had failed to reverse the U.S. position at the conference.

When the public announcement was made, Prime Minister Chung Il Kwon threatened to resign with his whole Cabinet if the United States carried out the plan. Chung stated publicly:

We are not against the Nixon Doctrine in principle, but if North Korean Premier Kim Il Sung miscalculates, the South Korean people will wonder if America will abandon its security treaty or come to our defense.<sup>61</sup>

A senior information officer at the Embassy in Seoul reported that the "Korean officials approached the Honolulu Defense Ministers Conference virtually united by the bonds of apprehension and dread." He described their concern:

<sup>59</sup> KI-4, p. 503.

<sup>60</sup> KI-4, p. 504.

<sup>61</sup> Facts on File, Inc., New York, N.Y., 1970, p. 496.

At the innermost ring of their concern is the fear that the announced American plan to reduce some troops from the ROK will lead to a total withdrawal, despite U.S. reassurances that a strong force will remain; that, although the Nixon Administration wishes to implement a long-term and massive program of modernization for their armed forces, the American Congress will trim this program so drastically as to render it meaningless; and that these early moves at troop reduction by the United States preclude [sic] an eventual American desire to retreat from the terms of the defense security pact between the two countries on which the Koreans have based nearly everything.<sup>62</sup>

The Honolulu conference was held July 21-23. Deputy Defense Secretary Packard, who led the U.S. delegation, recalled that the Koreans had three concerns: the threat from North Korea; the question of whether the modernization program could be implemented quickly enough to compensate for the loss of troops; and the psychological effect.

Korean Defense Minister Jung Nae Hyuk told Packard he had been sent to the conference to prevent troop reduction. Donald Ranard described the meeting as one of the most difficult he had ever attended. The Koreans wanted to "paper over" the troop reduction issue, but the American delegation refused. The Koreans threatened to replace the American division with ROK troops from Vietnam. Drafting the joint communique was a prolonged and painstaking process.

In the end, the American delegation believed it had succeeded in achieving a formal agreement to U.S. terms and an end to the long process of consultation, necessary before implementing the troop reduction decision. The Korean side gave the public a different impression. The Embassy in Seoul described ROK press coverage as follows:

(a) troop reduction issue was not settled at conference but will be subject of further consultations;

(b) conference failed to produce concrete U.S. guarantees of modernization before reductions;

(c) welcome commitments made by United States in communique. Government-owned Seoul Sinmun suggested that prior-modernization will be handled at higher level and urges more forceful ROKG initiatives in anticipation of that event. Only Seoul Sinmun and pro-government Kyonghyang Sinmun expressed outright dissatisfaction with conference results, while remainder editorial comments expressed qualified satisfaction.<sup>63</sup>

### *The Agnew visit*

As a result of ROK disappointment over the conference and the strong U.S. desire to begin the troop reduction, Vice President Agnew went to Seoul for direct talks with President Park in August 1970. The Koreans had complained that American officials had been discourteous in Honolulu. The Agnew visit was designed to remedy that and to calm President Park by reassuring him that the United States would not turn its back on Korea and would be responsive to its security needs. Agnew thought he was chosen to go partly because he was more hawkish than most administration officials and therefore might have more credibility.

An aide to Agnew described the meeting with President Park as "extraordinary."<sup>64</sup> Park's behavior was "absolutely offensive," a performance by a head of state unlike any he had ever witnessed.

<sup>62</sup> KI-4, p. 505.

<sup>63</sup> Declassified State Department cable.

<sup>64</sup> Subcommittee staff interview.

The meeting, planned to last about an hour, went on for almost 6 hours. No breaks were allowed.

Agnew said that during the meeting he kept emphasizing that the United States had a system of government that required the concurrence of both the executive and legislative branches and that although the President makes foreign policy, it is the role of Congress to decide on appropriations. In Agnew's view, Park did not understand the role of Congress because Park repeatedly said "tell the President" this or that, without any recognition of the prerogatives of Congress.

Agnew had emphasized the relationship between Congress and the executive branch for two reasons: (1) To try to get the administration, the State Department, and Ambassador Porter "off the hook" for being unable to guarantee the modernization program; and (2) to let the Koreans know that Congress holds the purse-strings and that no money can be allocated without its support or acquiescence.<sup>65</sup>

Agnew's aide thought the importance of Congress was overstated: He surmised probably occurred to the Korean officials that they were "building up" the wrong group by buttering up Ambassador Porter and other administration officials.

Ultimately, he said, the Agnew-Park meeting had two important effects: (1) Washington policymakers were persuaded to slow down the pace of troop reduction; and (2) the Koreans took advantage of the delay to work on Congress.

At a press conference prior to his departure, Agnew stated that he had no problem with removing the 2d Division because all U.S. forces were to be withdrawn within 5 years anyway. This remark, unexpected and contrary to the stated U.S. policy, greatly upset the Koreans. During the summer and fall of 1970, the two Governments were at loggerheads over the issue.

On August 29, immediately after Agnew's visit, Korean newspapers reported that U.S. troops had already been reduced by 10,000.<sup>66</sup> The story was based on an announcement by the Pentagon that the United States was already 10,000 below the 63,000-person ceiling. On August 31, Defense Minister Jung Nae Hyuk wrote a curt letter to Gen. John Michaelis, Commander of U.S./U.N. forces, asking if the cutback had already taken place, despite Michaelis' statements to the contrary. Michaelis did not reply until September 28. He then explained the missing 10,000 troops with a detailed description of attrition rates, reassignments, and had distinctions between temporary and permanent personnel.

Vice President Agnew's parting remarks and the disclosure of the lowered U.S. troop count brought Korean concern to a peak.

#### *Covert planning to influence U.S. policy*

- While the U.S. Government was under the impression that the Koreans understood the terms of troop reduction and were reasonably pleased with the assurances of the 5-year military modernization package, the Korean Government was in fact extremely worried. By the end of the summer, 1970, it had lost the final round of negotiations. After the Agnew visit, according to U.S. intelligence,

<sup>65</sup> Subcommittee staff interview.

<sup>66</sup> Subcommittee staff interview.

ROK leaders proceeded with plans to take their case directly to Congress.

Top U.S. officials, including Vice President Agnew and Secretary of Defense Laird, acknowledged that they and other administration officials may have overstated the role of Congress. Congressman Richard Hanna, in a subcommittee interview and before the House Ethics Committee,<sup>67</sup> admitted that he, too, had counseled the ROK Government as to the need to approach Congress, not the administration, and had described the best methods to do so.

Ambassador Porter testified that by the fall of 1970, the Embassy was:

making a general evaluation that more and more activity [by Korea] with Congress seemed to be developing and that there had been approval for what seemed to be a high-level effort to improve Korean relations inside the Legislative as well as the executive branch of the Government.<sup>68</sup>

Former Defense Secretary Laird recalled that the Koreans "were opposing my troop reduction decision" before Congress. He had detected the effects of Korean lobbying in talks with Members of Congress by the nature of their questions and comments about Korea. He also read executive branch reports about the lobbying. It was clear to Laird that the Koreans were pushing their assessment of the DPRK threat to justify both a greater amount of money for modernization and a U.S. troop presence at the original level. Laird said they were also promoting visits to Korea by Members of Congress where they could show them the threat from the North.

Dr. Kissinger also recalled the Korean reaction to the troop reduction decision:

They were extremely concerned. I had sympathy for their point of view. Their concern was that the reduction of our troops might be considered by \* \* \* the North Koreans, and by the Chinese \* \* \* as a signal of American lessened interest in Korea. Coupled with the troop withdrawals we were also undertaking from Vietnam, they were worried that they might be part of a general retreat of the United States from Asia, and it created considerable concern on the part of the Koreans.<sup>69</sup>

Although Kissinger stated he did not have direct knowledge of Korean lobbying, he did recall hearing about it from Defense Secretary Laird:

I was aware there was Korean lobbying going on, and I must say I was aware that other lobbying was going on on the Hill, and so was every Congressman. In connection with the troop withdrawals, Secretary Laird came to me and told me that there was some lobbying effort to get him to reverse the decision or to get Congress to reverse the decision that the President had made to withdraw that division.<sup>70</sup>

By the end of 1970, Korean opposition to the troop reduction had subsided, partly as a result of congressional approval in December of a large loan for the construction of an M-16 rifle factory in Korea.<sup>71</sup> In February 1971, the two countries announced that agreement had been reached on the conditions for the reduction of U.S. forces and modernization of ROK forces.

At that time, the U.S. Government was not inclined to reduce the troop level beyond 20,000, notwithstanding Laird's support for

<sup>67</sup> Subcommittee staff interview; Korean Influence Investigation, Part 2, hearings before the Committee on Standards of Official Conduct, 95th Cong., 1st sess., Apr. 3, 4, 5, 10, and 11, 1978, pp. 235-236.

<sup>68</sup> KI-4, p. 54.

<sup>69</sup> KI-4, p. 239.

<sup>70</sup> KI-4, p. 246.

<sup>71</sup> See "ROK Defense Production and Korean Self Sufficiency," in this section, pp. 77-78.

further cuts. The prevailing view was evident in a letter from Acting Secretary of State U. Alexis Johnson to Deputy Secretary of Defense Packard on August 28, 1970:

It is essential that we allow the after effects of the first withdrawal to settle down and for the modernization program to take hold both militarily and psychologically, in both parts of Korea and in Japan.<sup>72</sup>

On March 27, 1971, the reduction of 20,000 troops was completed.<sup>73</sup> A ceremony was held in which the colors of the 7th U.S. Army Division were retired, ending a difficult year of negotiations. Korean fears, however, grew over the next few years as the Government looked for the annual congressional appropriations that were to fulfill the modernization program.

### *The modernization program in Congress*

The objective of the military modernization program was eventual military self-sufficiency for South Korea.<sup>74</sup> To achieve this, the Nixon administration considered it essential that Congress appropriate that full request of \$1.5 billion over the specified 5-year period.<sup>75</sup> Congress, however, viewed the program as part of the annual security assistance legislation, and not as a 5-year package. As such, appropriations were affected by the political currents in the United States in any given year. During that period, a number of factors did arise that affected congressional willingness to appropriate the funds. For example, there were overall cuts in military assistance, which led to proportionate cuts for Korea.

An additional problem, from Korea's perspective, was that Congress changed the nature of military assistance to all countries from direct grants to direct sales of military equipment, with credit arrangements to be provided through Foreign Military Credit Sales (FMS) as necessary. The Korean Government believed that the modernization plan had been predicated on grant assistance; now it was being asked to shoulder a large portion of the defense burden through purchases or credit arrangements.

The ROK had also assumed that modernization assistance would be in addition to the regular military aid of approximately \$140 million in yearly grants. This was not to be the case, and the annual amount for the program remained a matter of some contention between the two countries.

The modernization plan was presented to Congress in the fall of 1970 as a \$150 million supplemental appropriation to the Security Assistance Act of that year, the first step in the modernization program. It was emphasized that the funds would enable the United States to reduce ground forces in Korea by 20,000 in 1971, something very important to Congress at the time. Congress considered and approved this first allotment much as it did other foreign aid. However, it did not see the program as an irrevocable 5-year

<sup>72</sup> Declassified State Department document.

<sup>73</sup> Joint ROK-U.S. communique, Feb. 7, 1971.

<sup>74</sup> The ROK Government proposal for modernization of its forces was submitted to the administration at the same time the United States was calculating the dollar amount for the modernization plan. The Korean figure was \$3-\$4 billion over 5 years, whereas the first American figure was \$1 billion, which was shortly revised to \$1.5 billion over a 5-year period.

<sup>75</sup> For excerpts from congressional debates, statements, and hearings pertaining to security assistance legislation between 1969 and 1976, see Library of Congress, Congressional Research Service compilation, appendix C-20.

commitment, nor had the administration provided details on the program beyond the first year.

In May 1971, shortly after the announcement that President Nixon would visit Peking, North Korea proposed that it and the ROK enter into a political dialogue. The unprecedented talks were followed by events which hampered full funding of portions of the modernization plan. As a result of the negotiations, President Park announced in the fall of 1972 that the ROK needed a new constitution in order to strengthen its negotiating position. By December 1972, Park had instituted the Yushin constitution which virtually guaranteed him lifetime Presidency, while severely restricting the civil rights of Korean citizens. This led to the most serious cut in Korean modernization assistance.

In 1974, Congress legislated a specific limitation on funds for Korea because of Park Chung Hee's worsening record on human rights.

In the only case in which Congress ever singled out South Korea for a military aid cut, \$93 million was subtracted from the proposed amount, with a provision that an additional \$20 million would be made available if the President of the United States were to certify that the observance of international human rights had improved substantially. The President did not so certify. The amendment to reduce military aid, introduced by Congressman Donald M. Fraser, was a result of hearings on human rights in South Korea conducted jointly by the Subcommittee on International Organizations and the Subcommittee on Asian and Pacific Affairs. ROK Government anxiety over the aid reduction and the hearings could be seen on Capitol Hill in the accelerated lobbying activities of Tongsun Park and Korean embassy officials.

Year-by-year funding of the military modernization program is shown in the following table:

SECURITY ASSISTANCE FOR FISCAL YEARS 1971-77 TO THE REPUBLIC OF KOREA

[In millions of dollars]

Fiscal year:	Military assistance program—grant assistance		Foreign military sales—sales on credit terms		Excess defense articles—grants of equipment	
	Requested <sup>1</sup>	Actual <sup>1</sup>	Requested	Actual	Requested	Actual
1971.....	290.8	291.2	10.0	15.0		137.7
1972.....	239.4	155.5	15.0	17.0	40.0	227.8
1973.....	215.7	149.6	25.0	24.2	33.6	29.7
1974.....	263.7	94.1	25.0	56.7	43.0	17.7
1975.....	161.5	82.6	52.0	59.0	20.8	3.1
1976.....	76.7	62.4	126.0	126.0	25.0	.2
Transition quarter <sup>2</sup> .....	1.9	1.5	1.5	134.1		
1977.....	11.0	2.6	275.0	152.4		

<sup>1</sup> As requested by the administration; actual amounts provided to the ROK.

<sup>2</sup> In fiscal year 1976, the end of the fiscal year was changed from June 30 to Sept. 30. The second set of figures refers to the transition quarter running from July 1, 1977, to Sept. 30, 1977.

Source: Library of Congress.

It was not until 1977 that Congress fulfilled the administration's modernization commitment, 2 years after the scheduled completion date. The ROK Government complained about the delay, the

amount of nongrant aid, and a dollar amount lower than the \$3 billion to \$4 billion it had desired. Congress had also linked the human rights issue to military assistance levels (something the administration had opposed).

Neither the administration nor Congress favored further troop reductions until the modernization program was completed. However, each year the Korean Government grew increasingly nervous as it perceived the assistance level to be diminishing, and it therefore attempted to exert greater influence over the decisions of Congress. The lobbying was a reaction to what it saw as a poor legislative record with respect to its interests and a relative indifference on the part of the administration. The ROK efforts were aimed at maximizing U.S. assistance and minimizing the effects of the new Yushin system on American public opinion and policymaking.<sup>76</sup>

### *Carter troop reduction*

The planners of the 1971 troop reduction had contemplated a second reduction, to take place as early as 1973. However, the modernization plan caused a postponement, as noted. It was not until Jimmy Carter's Presidency that further reductions became policy. While campaigning in June 1976, he had called for the withdrawal of all ground troops "on a phased basis over a time span to be determined after consultations with both South Korea and Japan."<sup>77</sup>

In the next sentence of his speech he put human rights into the troop withdrawal equation: "At the same time [as the troop reduction], it should be made clear to the South Korean Government that its internal oppression is repugnant to our people and undermines the support for our commitment there."

Congressional opposition to dictatorial government in South Korea had already slowed the 5-year military modernization program by cutting military assistance. Carter reinforced this attitude by linking troop withdrawal and human rights himself. Relations between the two countries were further complicated by the public disclosures in 1976 about Korean influence-buying.

The Carter administration's position on troop withdrawal was articulated in a Presidential Review Memorandum dated May 5, 1977. It called for a phased withdrawal in three stages: In the first, one brigade would be removed—by the end of 1978; in the second stage, the support troops; and in the third, the last combat brigades and U.S. headquarters. While Carter's campaign pledge had called for total withdrawal of ground forces by 1980, the memorandum gave 1982 as the new date.

The ROK Government was informed of the administration's intent on March 9, 1977. In July 1977, Secretary of Defense Harold Brown and Minister of National Defense Suh Jyong Chul met in Seoul for the 10th Annual Defense Ministers Conference. Discussion of troop withdrawal took place without the acrimony of 1970, partly because the United States accepted the principle that "com-

<sup>76</sup>See, "Part B: Review of Korean-American Relations," p. 41, and "Part C-V: Educational, Informational, and Cultural Activities," pp. 301-308.

<sup>77</sup>Address by President Jimmy Carter before the Foreign Policy Association, June 1976.

pensatory measures will be implemented in advance of or in parallel with the withdrawal.”<sup>78</sup>

### *Impact of congressional investigations*

In the fall of 1977, the congressional mood was not conducive to Carter's policy due principally to three issues. First was opposition to total withdrawal of ground troops. Second was congressional indignation over the lack of cooperation from the ROK Government with the investigations of the scandals. The third (less prominent than the first two) was South Korea's human rights record.

The Korean Government's unwillingness to make Tongsun Park and former Ambassador Kim Dong Jo available for questioning by Congress in connection with the investigations had heightened antagonism to the point that in November 1977 the House Committee on International Relations declined to consider the administration's request for authority to transfer armaments worth \$800 million in a new modernization program for Korea. The armaments were to come from the 2d U.S. division in connection with the withdrawal of that division. At the end of December, the United States and South Korea reached an agreement whereby testimony was obtained from Tongsun Park under a grant of immunity. However, the House Ethics Committee, after interrogating Park, insisted that it could not conduct a complete investigation of alleged payoffs to Congressmen unless former Ambassador Kim Dong Jo could also be questioned. The State Department and the ROK Government took the position that Kim was protected by diplomatic immunity. The House, over the objections of the Carter administration, voted on May 31, 1978, to cut off nonmilitary assistance to South Korea if Ambassador Kim should refuse to provide the information necessary for the investigation.

Thus, administration plans were impeded by congressional action aimed at obtaining cooperation from the Korean Government in the investigations of the scandals. Congressman Les Aspin saw a paradox in Congress position on troop withdrawal:

Congress considers the presence of United States troops primary in terms of United States defense interests, but considers military aid to South Korea in terms of many other factors. Thus, because the Administration says it cannot remove United States troops without an improvement in the South Korean forces the Korean scandal in Congress may be the main factor in keeping United States troops there.<sup>79</sup>

### *The Carter plan*

In 1978, hearings were held in the House and Senate to consider the administration's rationale and timing for the proposed troop withdrawal. Secretary of Defense Brown, in a prepared statement before the House International Relations Committee, asked "why have we [U.S.] maintained ground forces in Korea for so long?" and then commented:

We did not reduce our forces further in the 1970's because of the uncertainties and tension in the area generated by the war in Vietnam and the subsequent U.S. disengagement, even though improving conditions in South Korea might have war-

<sup>78</sup> Joint ROK-U.S. communique, July 26, 1977; see appendix C-19.

<sup>79</sup> "Withdrawal of American Forces Still a Sticky Issue," *The New York Times*, Feb. 26, 1978.

ranted further shifts in responsibilities. Because we are deeply committed to peace on the peninsula we have been prudent.<sup>80</sup>

Brown noted the changes in attitude of the communist superpowers after Vietnam, stating:

Growing Soviet and Chinese military capabilities in East Asia are largely directed toward each other, absorbed in mutual hostility. Neither has been able to transform military power into significant political advantage in East Asia. The U.S. relationship with China has also been transformed, with both sides recognizing the value of stable ties with each other. Neither the Soviet Union nor China has any incentive to encourage or underwrite military adventures in the Korean peninsula.<sup>81</sup>

At a hearing of the Manpower and Personnel Subcommittee of the Senate Armed Services Committee in February 1978, Morton I. Abramowitz, Deputy Assistant Secretary of Defense, gave as a reason for further reductions the increased stability of the Korean Peninsula, the result of the improved capabilities of ROK ground forces.

If you have a situation in which the South Koreans can on their own defend against the North Koreans, you have basically a more stable deterrence when they don't have to depend on foreign powers as decisively as they have. They reached a situation where they can handle the ground role themselves.<sup>82</sup>

Abramowitz added that the ROK was now on a more equal footing with the DPRK, which did not need to rely on its allies' presence to conduct warfare. The removal of ground troops was seen by administration witnesses as increasing the likelihood of negotiations and better relations between the two Koreas.

However, Senator Sam Nunn, the subcommittee chairman, concluded that although the administration's "principal reasons given for the withdrawal of ground forces were twofold—to save money and to reduce the risk of automatic U.S. involvement in a Korean conflict," neither objective would be met.<sup>83</sup>

The matter of the Korean investigations was also brought up in the February hearings. Both Secretary Brown and Deputy Assistant Secretary Abramowitz emphasized that Congress needed to separate long-term U.S. interests from the Korean scandal.

In the end, notwithstanding the debate over the rationale for the reduction or the investigations, Congress did approve President Carter's security assistance package for Korea, thereby allowing troop withdrawals to proceed. Although the human rights problem had been a substantial concern both to certain Members of Congress and the administration, ultimately it had less impact on security relations than did the Korean scandals or congressional doubts over the desirability of troop withdrawal. However, it was apparently instrumental in obtaining the release, during 1977, of a number of South Koreans who had been jailed for anti-Park Chung Hee activities. President Carter has expressed concern over human rights directly to Korean leaders, and U.S. diplomats have made frequent representations on human rights to the ROK Government.

<sup>80</sup> Statement of Hon. Harold Brown, House International Relations Committee, foreign assistance legislation for fiscal year 1979, pt. 1, Feb. 22, 1978, p. 73.

<sup>81</sup> *Ibid.*, Brown statement, p. 73.

<sup>82</sup> Testimony of Morton I. Abramowitz, Deputy Assistant Secretary of Defense, Subcommittee on Manpower and Personnel, Senate Armed Forces Committee, Feb. 24, 1978, p. 1844.

<sup>83</sup> Congressional Record, Senate, May 15, 1978, p. S7875.

### *Defense industries in Korea*

One consequence of the withdrawal was the need for South Korea to improve its defense production capability, something it greatly desired. The House Armed Services Committee had noted in a report that:

Historically, the United States had discouraged development of defense industries in South Korea because of a concern over the capability to successfully attack the North. While that concern no longer exists, it has played a role in the asymmetrical military growth and capabilities of North and South Korea. The consequences of this policy have become acutely apparent since the United States has proposed the total withdrawal of its ground forces from Korea.<sup>84</sup>

In the 1970's, the United States had apparently come to endorse a policy of promoting Korean defense industries. Abramowitz told the Senate committee that the ROK had to play "catchup ball" with the DPRK with respect to military production. The United States took a number of steps to implement this policy, approving additional production licenses, permitting the manufacture of certain armaments in addition to the M-16 rifles, and authorizing exports of some Korean-produced defense materiel based on U.S. technology. However, the United States maintained restrictions on the production and export of certain armaments and discouraged Korea from developing a capability in some areas such as nuclear weaponry. Korea sought to implement its own policy by looking elsewhere for technology and sources of armaments and by trying to ignore or circumvent the terms of agreements with the U.S. Government and U.S. defense contractors. (These and other issues related to Korean defense industries are discussed in greater detail in the subsection following the conclusions to this subsection.)

### CONCLUSIONS

Security concerns were central to Korean-American relations between 1965 and 1978. However, for the United States, the late 1960's were dominated by the Vietnam war, while for Korea the principal concern was North Korea. The United States tended to view developments on the Korean Peninsula within a global context, the ROK in terms of a North-South confrontation. These differing perspectives often led to differing and at times conflicting responses to issues that arose in the 1960's and 1970's. To the Park Government, American responses to North Korean operations were inadequate; to American officials, the South Koreans were exaggerating the threat, sometimes for political purposes. They also led both countries to anticipate reactions that were not forthcoming and to misinterpret the implications of domestic events in one another's country.

A major factor in relations between the two countries in the 1960's and 1970's was the Vietnam war. Negotiations over Korean participation revealed the best and the worst in U.S.-ROK relations. U.S. policy in Vietnam in the mid to late 1960's called for heavy allied involvement and the ROK became the strongest U.S. ally with the U.S. reciprocating with substantial compensatory assistance. However, in 1969, the United States, under President Nixon, adopted a new pan-Asian policy, the Guam doctrine, to

<sup>84</sup>House Armed Services Committee, "Review of the Policy Decision To Withdraw U.S. Ground Forces From Korea," p. 15.

rationalize withdrawal from Vietnam and reduce the potential for future U.S. involvement in Asian ground wars. Although concerned over the new policy, South Korea did not react strenuously until the summer of 1970. Then the announcement that 20,000 U.S. troops would be withdrawn brought the Guam doctrine directly home. Until that point Korea had believed that its "special relationship" with the United States exempted it from the doctrine. South Korea, in turn, took action to protect its self-interests, and increasingly the two countries found themselves in conflict over many issues and mistrustful of one another's intentions.

Further, while the United States had given repeated assurances of its commitment to ROK security throughout the late 1960's, typically these took the form of offers of increased economic and military assistance that it could not guarantee, since appropriations were the prerogative of Congress. Congress, in turn, was influenced by a highly politicized American public, which at that time was reconsidering the desirability of military involvement abroad.

The Park Government, believing that U.S. commitment to ROK security and anticommunism in general was eroding, took extraordinary steps—legal and extralegal—to influence U.S. policy. Effective measures were not taken to halt or prevent the influence activities, apparently because of possible adverse consequences to Korean participation in the Vietnam war.

The situation grew more complicated when Congress failed to fulfill the Nixon administration's promise of \$1.5 billion in compensatory assistance within the promised 5-year period. This was due to cuts in military assistance appropriations worldwide and other factors such as opposition to Park Chung Hee's human rights record.

In 1972, President Park restructured the Government and imposed the Yushin Constitution, making his rule much more authoritarian. He justified the new system on the grounds that direct negotiations between North and South Korea necessitated tighter internal control. Criticism of the Yushin system in Congress and the American press was the cause for stepping up the influence campaign, particularly in reaction to congressional hearings on human rights and the reduction in military assistance.

As Korea observed the changes in American policy toward Asia and saw the possibility of future troop reductions, it became determined to work toward self-sufficiency in developing its own defense industry. The Carter administration took a favorable view of this because it complemented the goal of withdrawing all U.S. ground troops. Unlike the case with 1971 troop reduction, the United States in this instance pledged compensatory assistance to modernize ROK forces prior to or simultaneous with troop withdrawal. Further, total withdrawal was hindered by congressional opposition and by problems between the countries over the investigations of influence buying. Finally, there were limits to U.S. encouragement of ROK self-sufficiency, and these the Korean Government tried to circumvent.

Clearly, the context of Korean-American security relations had changed dramatically in the last decade. Korean dependence on the United States is now considerably diminished, and the U.S. posi-

tion in Asia is based more on treaty commitments than deployment of ground troops. As a result, the United States has lost some ability to influence the Korean human rights situation and defense policy.

#### SPECIAL ISSUES: ROK DEFENSE PRODUCTION AND MILITARY SELF-SUFFICIENCY

The development of Korea's capability to support its defense was a major issue in Korean-American relations, not only in terms of military strategy, but in relation to economic development. At first, the United States discouraged defense production as a means of achieving self-sufficiency, but by the late 1960's and early 1970's, with the growth of the Korean economy and in line with the proposed troop withdrawal, the policy shifted toward favoring expansion of certain defense industries. Consideration was even given to Korea's becoming an arms exporter. However, overall the United States approached the matter with caution, opposing the development of some defense industries, the introduction of certain weapons systems into Korea, and the export of some military hardware. The Korean Government, on the other hand, was strongly committed to a rapid expansion of defense production, independent of and sometimes in conflict with U.S. interests and policy.

The importance of this area in Korean-American relations led the subcommittee to include it as a special study area in its investigation. The focus was principally on U.S. policy toward Korean self-sufficiency and Korean efforts to diversify its sources of supply, acquire its own defense plant and production capability, and become an arms exporter.

#### *Korean defense plant and production capability*

In the early 1960's, the United States discouraged the growth of a full range of Korean defense industries, urging production of consumable military items rather than up-to-date military hardware. Overall, the United States sought to maintain Korea's reliance on the United States for armaments and for a major part of the Korean defense budget.

While the Park administrations clearly wanted and needed U.S. military assistance, they were determined to pursue military self-sufficiency, in some instances assessing their own needs independently of the United States. For example, in late 1965 or early 1966, Mickey Kim (Kim Un Yong),<sup>85</sup> a KCIA officer serving as a counselor at the South Korean mission to the United Nations, informed Paul Benke of Colt Industries that his Government wanted to build a gun factory.<sup>86</sup> At Kim's invitation, Benke met with President Park Chung Hee, who told him that the Korean Government would purchase a certain number of rifles from Colt if Colt, in return, would help build a rifle plant in Korea.

No agreement was reached at this time. Benke replied that Colt would be willing to sell the rifles but would not build the plant because Colt could supply the rifles from its own facilities in Hart-

<sup>85</sup> Kim Un Yong was involved in a number of activities significant to Korean-American relations and is mentioned at various points in this report.

<sup>86</sup> Subcommittee staff interview with Paul Benke, June 21, 1978.

ford, Conn. Benke explained to the subcommittee that Colt's position had been supported by the Departments of State and Defense.

In April 1968, at the height of tensions between the North and South, the Korean Government apparently authorized open tenders in the world market for an ammunition as well as a rifle factory.<sup>87</sup> This was another indication of its determination to push ahead with development of defense industries irrespective of U.S. assistance or policy.<sup>88</sup>

By 1968, the State Department was itself beginning to reassess policy toward Korean military self-sufficiency and defense production. In that year, State Department officials recommended that the U.S. Government back the rifle plant. The project was characterized as deserving "our [U.S.] most sympathetic consideration," with the importance of the project to "developing [Korean] defense industries and reducing MAP [Military Assistance Program]"<sup>89</sup> being noted. These officials also emphasized the importance of the rifle plant in the context of long-term plans for troop withdrawal.

In discussing the development of a defense capability, which would require the participation of U.S. defense contractors, several obstacles were noted. For example, it was presumed that U.S. investors would be reluctant to proceed without investment guarantees.

The subcommittee found that there were other reasons for reluctance by U.S. defense contractors. According to officials of Colt Industries knowledgeable about the M-16 negotiations, the company's concerns were heightened by the terms the Korean Government was demanding. It wanted to manufacture everything connected with the M-16, from springs to barrels and magazines. Even Colt did not have this capability. To meet it, Colt would have had to subcontract with dozens of other manufacturers. Colt's suppliers in turn feared that offering a technical data package to the Koreans would expose them to the possibility of leaks to Japanese and other U.S. competitors.<sup>90</sup>

Despite consideration of a change in policy, comments by State Department officials in 1968 revealed that no firm decision had been reached. These officials argued that if developing an arms industry in South Korea proved feasible politically and economically, the United States might obtain the extra benefit of getting the Koreans to look more realistically at their military requirements. They cautioned, however, that the United States would need to weigh carefully how much capability to give the ROK in that direction.

By 1969, however, the United States was clearly changing its position. According to Colt officials, the Departments of State and Defense pressured the company into accepting the rifle project. In June 1969, following the U.S.-ROK Defense Ministers Conference,

<sup>87</sup> Letter from Fritz-Werner Industrie-Ausrustungen GmbH to Tongsun Park, Apr. 5, 1968; Letter from Heckler & Koch GmbH to Tongsun Park, Apr. 10, 1968. The Korean Government was also in the market for "fast boats" as early as 1968; see letter from Lang Yacht Co., Inc. to Tongsun Park, May 6, 1968 and letter from Merex Corp. to Tongsun Park, Dec. 8, 1969. These documents appear in appendix C-23.

<sup>88</sup> It is possible, however, that the Korean Government sought out other foreign suppliers in order to have some leverage over the United States when negotiating for U.S. assistance with regard to the ammunition, rifle, and "fast boat" production facilities.

<sup>89</sup> Declassified excerpt of classified Department of State document.

<sup>90</sup> Subcommittee staff interview with Paul Gubbins, Stewart Plettner and Hadwen Stone, May 23, 1978.

Deputy Secretary of Defense David Packard was quoted as "authorizing South Korea to build U.S. M-16 rifles on license."<sup>91</sup> Since Colt held the patents for the M-16, Packard's announcement represented a commitment to the Korean Government of Colt's participation—prior to any formal agreement with Colt—and put pressure on Colt to come to terms.

When the negotiations between Colt and the Korean Government subsequently broke off over some of the above points, the Department of Defense, Colt's primary customer, resorted to more direct pressure. It threatened to turn the project over to the manufacturer of another rifle. As relations between Colt and the Department became increasingly adversarial, Packard sent Colt a letter instructing it to "get moving and help the Koreans build their plant."<sup>92</sup>

It should be noted that throughout the 1960's there had been discussions about modernization of Korean forces, especially as a result of the Korean commitment to deploy troops in Vietnam in November 1965 and the Johnson-Park meetings in Honolulu in April 1968.<sup>93</sup> Nevertheless, such a policy was slow to emerge, and there was a substantial time lag between the beginning of Colt Industries' negotiations with the Korean Government on the one hand, and the eventual decision to broaden U.S. assistance in the development of Korea's defense industries on the other.

Evidence gathered during the subcommittee's investigation indicated that the reason was caution. The U.S. Government was not confident that the Korean Government was capable of realistically assessing its own military needs, it was concerned that the Korean economy not expand too rapidly, and there was fear that elements in the South Korean Government would use an expanded military production capability to attack North Korea.<sup>94</sup> Thus U.S. policy had been to provide for consumable military items but not to build up basic levels of armaments or Korean defense industries.<sup>95</sup>

Former officials of the U.S. Embassy in Seoul told the subcommittee that part of the reason for the shift in policy was South Korea's ultimate restraint in reacting to the Blue House raid of January 1968. The Government had not "gone north" despite massive provocation. The executive branch concluded that the ROK probably would not attack the DPRK except in an extreme national emergency.<sup>96</sup>

By 1970 the development of South Korean self-sufficiency in the production of defense materiel had essentially become the formal policy of the United States. It was at the heart of the military modernization program begun that year. From 1971 to 1978, the U.S. supported Korean production of high-speed coastal patrol and interdiction craft ("fast boats"), model 500 helicopters, conversion of M-48 tanks, M-60 machineguns, surface-to-surface missiles, and the M-16. However, there was no blanket endorsement of Korean defense production. For example, though the Korean Government was interested in producing fighter aircraft, as of November 1978

<sup>91</sup> "International Market Report," June 19, 1969, p. A-93; see appendix C-24.

<sup>92</sup> Subcommittee staff interview with Paul Benke, June 21, 1978.

<sup>93</sup> See "Part C-I: Security and Political Affairs," pp. 57-58.

<sup>94</sup> Subcommittee staff interview, July 18, 1978.

<sup>95</sup> Subcommittee staff interview, July 18, 1978.

<sup>96</sup> *Ibid.*; see also, "Part C-I: Security and Political Affairs," pp. 54-55.

the State Department and the Defense Department had not approved that request.<sup>97</sup>

As it had in the 1960's, the Korean Government continued to push hard to develop a broad range of defense industries, in conjunction with or independent of the U.S. Government, as circumstances required. It established two defense agencies in late 1970, around the time of the announcement of U.S. troop withdrawal:<sup>98</sup> the Agency for Defense Development (ADD) and the Weapons Exploitation Committee (WEC). The ADD openly conducts military research and development of weapons, weapons systems, equipment, and materiel for the Korean military and assists in the development of technology in the area of defense industries. Between 1973 and 1975, the ADD more than doubled its manpower and budget. It plays an important role in designing and testing prototypical munitions under consideration for production in Korea. The WEC, on the other hand, was a covert, ad hoc governmental committee responsible to the Blue House for weapons procurement and production. Oh Won Chul, Second Secretary for Economic Affairs, and other high-ranking Blue House officials were among the participants.

Little is known about the activities of the WEC. Allegedly, WEC members made a trip to weapons plants in Norway, France, Switzerland, and Israel in 1972 to survey production facilities and discuss weapons production problems. In Israel, WEC members were said to have been house guests of Shoul Eisenberg.<sup>99</sup> In the fall of 1972, KCIA Director Lee Hu Rak had instructed the WEC to begin procurement of the Israeli-made Gabriel surface-to-surface missile which Eisenberg was attempting to sell to Korea. This was done despite objections by the U.S. military that the missile system would endanger portions of the U.S. military assistance program and objections by the Korean military that the Gabriel was a second-rate system whose procurement would cause a strong negative reaction by the United States. (The United States had previously turned down a request to provide an alternative missile system.)

Reportedly, the U.S. military did not believe the Korean Government would proceed with procurement of the Gabriel, given the likelihood of a negative U.S. response. However, apparently the U.S. revised its assessment and decided to provide U.S. technology for a missile system. On September 27, 1978, the Korean Government announced that it had successfully tested its first Korean-produced surface-to-surface missile, a modified Nike-Hercules.<sup>100</sup>

Nothing seemed to indicate more clearly the growing degree of Korean independence from the United States in the 1970's in the area of defense planning and production than Korean nuclear policy. The executive branch considers this matter so sensitive that despite repeated requests for information, the Department of State

<sup>97</sup> Humphrey-Glenn report, "U.S. Troop Withdrawal from the Republic of Korea," Senate Committee on Foreign Relations. Jan. 9, 1978, p. 53; Foreign Broadcast Information Service, Aug. 31, 1978, p. E-1; see appendixes C-50 and C-51 respectively.

<sup>98</sup> Subcommittee staff interview, Aug. 16, 1978.

<sup>99</sup> See Problems of Political Funding and U.S. Trade and Investment in Korea, in "Part C-IV: Economic Relations," pp. 228, 238, 251.

<sup>100</sup> Washington Post, Sept. 28, 1978; for the Korean Government assessment of this development, see the editorial "Development of Missiles," Korea Herald, Sept. 28, 1978, p. 4.

was not forthcoming.<sup>101</sup> The subcommittee's concern over the matter stemmed from the apparent fact that the Korean Government did not discuss with or notify the United States in advance of any step it took to develop a nuclear weapons capability.

There are indications that in the early 1970's, some steps were taken which appeared designed to pave the way for a ROK nuclear weapons program. Specifics on this matter came from a subcommittee staff interview (on February 28, 1978) with a former high-ranking Korean Government official who was a member of the WEC. He told the subcommittee that the WEC voted unanimously to proceed with the development of nuclear weapons. Subsequently, the Korean Government discussed purchase of a nuclear fuel reprocessing facility from France and a mixed-oxide fuel reprocessing lab from Belgium. The explosion of an Indian nuclear device in April 1974 using fissionable material produced with the assistance of a Canadian NRX research reactor led to greater caution by nuclear technology suppliers, however, and the Belgians and the Canadians withdrew offers for certain technology. Negotiations between the ROK and France continued for some time over a reprocessing facility. Ultimately, it appears that by some time in 1975, any ROK nuclear weapons program had been canceled and the negotiations for purchase of a fuel reprocessing facility also ended.

With Korean nuclear policy therefore clarified, the United States actively cooperated in the expanding ROK nuclear power program and agreed to sell U.S. commercial power reactors in a process which ostensibly has improved both the form and the substance of the energy relationship with the Korean Government.

The above incident indicates that even in an area of strong concern to the United States, one which involved the security interests of the entire region and the negotiations by the United States with other major powers over disarmament, the Korean Government was apparently willing to pursue an independent course of action.

While diplomatic efforts in 1974 were successful in containing Korea's independent steps toward production of nuclear weapons, similar steps in the area of conventional weaponry went unchecked. There were signs in 1976 that the Korean Government was continuing its unilateral efforts to seek other sources of assistance for expanding its procurement and production capability of conventional weapons. A little more than 1 month after Tongsun Park left the United States for London in October 1976, he told an international arms merchant with Interarms<sup>102</sup> that he was in the process of "organizing a military buying and selling office in London for the Korean Government."<sup>103</sup> Park "outlined the new Korean policy to try to become more independent on their arms

<sup>101</sup> This was despite the fact that one of the issues which the subcommittee was investigating involved an alleged leak of classified State Department information on nuclear matters to a Korean national. The subcommittee has referred this matter to appropriate agencies and committees in the executive branch and the Congress.

<sup>102</sup> This was not Park's first initiative in the area of arms production and sales. In addition to his previously cited activities concerning production facilities sought by the Korean Government, Park had attempted unsuccessfully in 1969 to purchase a wide range of foreign surplus munitions items from Merex Corp., using the Korean Embassy for logistical support. Subcommittee staff interview, June 9, 1978; subcommittee staff interview with Tongsun Park, June 5, 1978. See letter from Merex Corp. to Tongsun Park, Dec. 8, 1969, appendix C-26.

<sup>103</sup> Interoffice memorandum from Interarms Manchester to Interarms Virginia, Dec. 6, 1976, appendix C-27.

procurement" than before. Park further indicated that he was approaching Interarms because of the Korean Government's perceived need for "proper international advice regarding both procurement and disposal of their surplus."

By 1978, the degree to which other nations had taken notice of Korea's new procurement policy was demonstrated when France singled out the Republic of Korea as a potential buyer of its entire stock of Honest John surface-to-surface missiles.<sup>104</sup> More generally, as noted in the January 1978 Humphrey-Glenn report on U.S. troop withdrawal, "the South Koreans have been discussing possible purchases of rifle grenades, antitank weapons, multiple rocket launchers, ship-to-ship missiles, air defense missiles, armored personnel carriers, and tanks with other governments."<sup>105</sup>

Another incident connected with the development of defense industries illustrated the sometimes less than straightforward approach of the Korean Government in dealing with the United States over defense issues. In November 1977, Colt cabled the Korean Ministry of National Defense to ask with whom to negotiate a pending contract extension. Five days later, Colt received a cable from Tong Il Industries Co.<sup>106</sup> requesting a meeting to discuss the M-16. Tong Il is a Korean defense contractor owned by the Unification Church. No reply had been received from the Ministry itself. Colt cabled back agreeing to a meeting in Hartford and asking with whom they would be negotiating. Tong Il's reply noted "we need some more days to send our representative to you, in order to precoordinate it with our Government. Upon completing coordination, we will notify you about 'who and when' of our side to discuss with you." Another Tong Il cable, sent a week later on November 28, 1977, stated: "Our President will visit your company, from December 12 to 16, 1977, to discuss M-16 contract extension."

Moon Sung Kyun<sup>107</sup> and another Tong Il official did visit Colt in December 1977. That they were officially representing the Korean Government could be inferred from the fact that Colt never received any reply from the Ministry of National Defense, while Tong Il clearly stated in its cable that it was coordinating its visit with the Korean Government and was prepared to negotiate the contract between the Government and Colt. Moreover, at the meeting with Colt in December, Tong Il's representatives gave an ambiguous response to the question of whether they were formally representing their Government: "if you ask the Ministry of National Defense, they will say no."

### *Arms exports*

Repeatedly, the Korean Government requested of the United States approval to export munitions, showing little apparent understanding of the foreign policy concerns, including human rights, which underlie U.S. efforts to limit arms exports around the world. The issue became a problem between the two countries.

<sup>104</sup> See the note typewritten on copy of letter from Samuel Cummings to Robert J. Conkling, Feb. 13, 1978, see appendix C-47.

<sup>105</sup> Op. cit., Humphrey-Glenn report, p. 55.

<sup>106</sup> The various Colt-Tong Il cables appear in appendixes C-38, C-39, C-41—C-45.

<sup>107</sup> Moon Sung Kyun is the second cousin of Sun Myung Moon, the head of the Moon Organization. See "Moon Organization" in "Part C-V: Educational, Informational, and Cultural Activities," pp. 367-368.

The subcommittee looked into several aspects of this issue: The ambiguity of the U.S. position over arms exports; the Korean Government's method of pursuing exports; and allegations of illegal exports.

With respect to exports, according to U.S. law, any country wishing to export U.S.-supplied weaponry or weapons-related technology must get prior approval from the Department of State. To receive approval, the request must be consistent with the Arms Export Control Act<sup>108</sup> and other legislative and policy guidelines reflected in the International Traffic in Arms Regulations<sup>109</sup> issued by the State Department. The Arms Export Control Act states clearly the responsibility of the United States to exercise control over the ultimate disposition of the defense articles and services it supplies,<sup>110</sup> and the subcommittee was confident that the Office of Munitions Control and the Bureau of Politico-Military Affairs were committed to their responsibilities in this regard. However, the State Department can exercise control only over those items supplied by the United States. As noted, in addition to trying to increase exports of U.S. weapons, the Korean Government acted to increase purchases from other governments.

Just as U.S. policy toward the development of a Korean defense production capability was ambiguous, so was its policy toward arms exports. In 1968, State Department officials had also begun to consider encouraging Korean exports, including the possibility that the ROK might even perform a "regional arms supply role."

While no formal policy was established at the time, it appeared that in some cases the United States was supporting such a policy. Shortly after the Korean Ministry of National Defense signed the M-16 contract with Colt Industries in 1971, Maremont Corp., the U.S. manufacturer of the M-60 machinegun, sought to interest the Korean Government in a production arrangement. Officials held discussions with Gen. Shin Won Shik, a cosigner on the M-16 contract and Assistant Minister for Logistics and Installations. General Shin reportedly had stated that South Korea wished to produce its own weaponry in order to become the munitions supplier for the rest of Asia. One Maremont official told the subcommittee that the Koreans were being encouraged in this effort by both the Departments of Defense and State. The argument at Defense was that exports of Korean arms were a good vehicle for "getting the Koreans off the dole."<sup>111</sup> However, on other occasions the United States refused to approve certain exports.

Korea itself was very interested in the role of arms exporter and had been actively pursuing it for some time. It had been selling military software such as parachutes, duffelbags, uniforms, gas masks, and tents to a number of countries, including Burma, Ethio-

<sup>108</sup> House Committee on International Relations and Senate Committee on Foreign Relations, joint committee print, "Legislation on Foreign Relations Through 1977," Feb., 1978, pp. 273-300.

<sup>109</sup> The International Traffic in Arms Regulations refers to title 22, Code of Federal Regulations, pts. 121-128, and is published as a brochure by the Department of State.

<sup>110</sup> Op. cit., "Legislation on Foreign Relations \* \* \*" p. 274, as expressed in such passages in the act as the following: "It is the sense of the Congress that all such sales be approved only when they are consistent with the foreign policy interests of the United States \* \* \*."

<sup>111</sup> Subcommittee staff interview, June 6, 1978.

pia, Bangladesh, South Yemen, South Africa, the United Kingdom, Jordan, and Saudi Arabia.<sup>112</sup>

More recently, it had become interested in exporting military hardware licensed by or manufactured in the United States. Since 1974, the State Department has granted approval for Korean munitions exports under license to Malaysia, Cameroon, and Kuwait. The defense-related materiel involved in these exports were 81-mm mortars and field switchboards. Several other requests for U.S. license approval have been turned down or are currently pending. Proposed Korean exports to four countries currently pending involve 106-mm recoilless rifles, M18A1 Mines, smoke grenades, 105-mm howitzers, and 81-mm mortars.<sup>113</sup>

Exports of M-16's had been very much a part of the negotiations with Colt at the earliest stages. Throughout the dealings with Colt, officials of the Korean Government, as well as unofficial spokesmen, had pushed for approval to export M-16's. For example, in 1976 a Colonel Oh (presumably Col. Oh Jung Sool, an assistant military attaché at the Korean Embassy) visited the Colt facilities in Hartford to ask Colt to release the Korean Government from the contractual restrictions against exports.<sup>114</sup> As noted, in September 1977, Moon Sung Kyun of Tong Il Industries Co.,<sup>115</sup> wrote Colt requesting "approval of production and export of barrel for M-16 rifle."<sup>116</sup> In his letter, Moon stated that Tong Il was "attempting to product [sic] barrel of M-16 rifle and to export to countries of Southeast Asia of friendly nations." Tong Il was requesting Colt's approval prior to getting the approval of the Korean Government, though stating that the Korean Government wished to be released from the existing restriction in their contract with Colt. Further, the Korean Government was aware that the request had to be directed to the State Department from which approval had to come. Korean representatives did not attempt to negotiate any other matter with regard to the M-16 contract. Colt declined in a letter dated September 27, 1977.<sup>117</sup>

Earlier in 1977, the State Department had denied a request by the Korean Government for approval to export 1,500 M-16's to an African country. A State Department official in the Bureau of Politico-Military Affairs, however, told the subcommittee that the request should not be construed as a serious one; it had come through Embassy channels from Seoul and was a courtesy extended by South Korea on behalf of a visiting delegation which had requested the rifles.<sup>118</sup> Nonetheless, the request indicated a continuing desire by the Korean Government to export the weapon.

Equally of concern to the subcommittee were allegations of illegal exports. For its part, the Korean Government recently stated that South Korea "has never engaged in sales of hardware arma-

<sup>112</sup> Subcommittee staff interview, July 25, 1978; Norman Thorpe, "South Korean Firms Thrive as Exporters of Military Products," *Asian Wall Street Journal*, Jan. 6, 1978, see appendix C-49.

<sup>113</sup> Letter from Assistant Secretary Douglas J. Bennet, Jr., to Congressman Donald M. Fraser, Sept. 14, 1978.

<sup>114</sup> Subcommittee staff interview with Paul Gubbins, Stewart Plettner, and Hadwen Stone, May 23, 1978.

<sup>115</sup> See "The Moon Organization" in "Part C-V: Educational, Informational, and Cultural Activities," pp. 367-368.

<sup>116</sup> Letter from S. K. Moon, Tong Il Industries Co., to Colt Firearms, Sept. 13, 1977, see appendix C-34.

<sup>117</sup> Letter from H. P. Stone to S. K. Moon, Sept. 27, 1977, see appendix C-35.

<sup>118</sup> Subcommittee staff interview, Aug. 16, 1978.

ments abroad,"<sup>119</sup> despite the fact that the United States had previously approved the sale of some items. The subcommittee received information which indicated that some exports had occurred which were not carried out in accordance with U.S. law and that other unsuccessful attempts at export had been made. Moreover, other evidence suggested that the Korean Government was contemplating further exports without prior State Department approval.

The subcommittee received allegations concerning transfers of M-16's which it could not confirm and which were discounted by the executive branch. If true, these transfers did not go through State Department channels.

One of the allegations concerned the export of M-16's by Korea through a third party to the Libyan Arab Republic. While the subcommittee was not able to investigate it thoroughly, the information strongly suggested suspicious activities. Therefore, the subcommittee sent the information to appropriate executive branch agencies. The subcommittee took the allegation seriously because it was made several times by seemingly responsible and independent sources. They included an official of a U.S. arms exporter, a European arms merchant with acknowledged ties to U.S. and foreign intelligence agencies and to Libya's military procurement officers,<sup>120</sup> and an international businessman who had access to Libyan Government documents<sup>121</sup> and who alleged that his information stemmed from direct conversations with Col. Muammar Qaddafi, President of the Libyan Arab Republic. It should be noted, however, that the executive branch had no information of any such exports.

A third case related to a proposed export of M-203 grenade launchers.<sup>122</sup> On March 16, 1978, the U.S. Embassy in Seoul cabled Washington that the South Korean Government was requesting approval of the loan of one M-203 grenade launcher to the Government of Malaysia for "test and evaluation purposes."<sup>123</sup> On April 29, Washington cabled Seoul that the request was denied. In the meantime, however, South Korea, through the Daewoo Industrial Co., a Korean defense contractor, had sent a letter to the Malaysian Government indicating that the launcher would arrive by April 15. Further, the letter said that if the Malaysian Government so desired, South Korea could provide three to six launchers.

The letter made clear that the "loan" was actually a shipment precedent to sale, as it quoted per unit prices for M-203's. Further, the opening paragraph of the letter read:

<sup>119</sup> "South Korea Disputes Asian Journal Article on Military Exports," *Asian Wall Street Journal*, Jan. 9, 1978; see appendix C-49.

<sup>120</sup> This source alleged that a Libyan military procurement officer, Mufta Daghil, had told him that a Korean had offered to supply 20,000 Korean M-16's to Libya.

<sup>121</sup> These documents implicated a U.S. businessman in illegal transfers of M-16's to Libya. The documents did not indicate where the M-16's were originating; however, the businessman was known to have had business dealings with the Republic of Korea. In the course of investigating these allegations, the subcommittee uncovered an illegal transfer of M-16's to the Palestinian Liberation Organization. The subcommittee was provided with the serial numbers of M-16's seized by the Israeli Government from PLO base camps in southern Lebanon in June 1978. In tracing these guns, the subcommittee found that they had been previously transferred to the Lebanese Government, with one exception; one of the M-16's was part of a shipment by the U.S. Army to Iran.

<sup>122</sup> Letter from Suh Chai Pill, Daewoo Industrial Co. Ltd., to Ketua Setiausaha, Mar. 28, 1978; see appendix C-48.

<sup>123</sup> *Ibid.*

We are pleased to inform you that M-203 grenade launchers are manufactured in the Republic of Korea and can be exported to friendly countries including Malaysia. These items are applicable to usage with M-16 rifles.<sup>124</sup>

Perhaps the most systematic plan by the Korean Government in pursuit of arms exports involved Tongsun Park. In 1976, Park, in addition to seeking contracts for handling procurement for the Republic of Korea, was also seeking agents to handle exports of Korean "surplus" as well. The subcommittee looked closely at this matter because it involved some unusual and questionable activities. Viewed in conjunction with the Colt-Tong Il discussions, it suggested that a new modus operandi was emerging relating to Korean arms exports.

On May 12, 1977, Tongsun Park held discussions with Interarms' President Samuel Cummings concerning Interarms' serving as the agent for Korean arms exports.<sup>125</sup> Following the meeting, one of Park's associates sent Cummings a draft of a letter to be sent to the Korean Government.<sup>126</sup> With some alterations, Cummings sent the letter to Kim Jin Suk, one of Tongsun Park's employees, for delivery to the Korean Ministry of National Defense.<sup>127</sup> It indicated Interarms' interest in disposing of Korean surplus defense material on the international market.

On May 28, 1977, General Yoo Sam Suk of the Ministry replied to Cummings that his Government could not consider disposing of its surplus until it had met the needs of its modernization program. However, rather than mailing its reply directly to Cummings, the Ministry turned it over to Tongsun Park.<sup>128</sup>

In June 1977 Kim Jin Suk traveled to Seoul, paid a visit to a high-ranking general in the Ministry of National Defense, and acquired a "confidential list" of Korean surplus material.<sup>129</sup> The list read as follows:

M79 launcher	7.62mm shell (4-Ball-I-Tracer)
3.5' rocket	5.56mm shell (Ball M193)
60mm mortar	5.56mm shell (tracer M193)
81mm mortar	4.2mm shell
4.2' mortar*	106mm shell
105mm howitzer*	105mm shell (HE)
155mm howitzer*	M18A1 mine—Claymore
106mm recoilless rifle*	M19 antitank mine
5' rocket launcher	M67 grenade
20mm gun, HEI-T-SD	Gunpowder
M16 Rifle*	TAI field tele-kit
M1-cal. .30	SB22 operator kit
M2-cal. .30	KPRC6 radio
40mm shell for M79 launcher	ANPR 77 radio
M203 (improved M79)	PT boat (70—250-ton—40-knot)
60mm shell	Gas mask
81mm shell	Helmet
20mm shell	Parachute

\*U.S. approval required.

<sup>124</sup>Op. cit., letter from Suh Chai Pill.

<sup>125</sup>Interoffice memorandum from Interarms Monaco to Interarms Virginia, May 15, 1977, see appendix C-30.

<sup>126</sup>Cable from R. J. Conkling to S. Cummings, May 16, 1977, see appendix C-31.

<sup>127</sup>Letter from Samuel Cummings to Gen. Seo Jong Chul, May 17, 1977; see appendix C-32; routing instructions are in the previously cited cable, ibid.

<sup>128</sup>Letter from Maj. Gen. Yoo Sam Suk to Interarms, May 28, 1977; see appendix C-28; see also letter from Interarms Monaco to Interarms Virginia, Nov. 17, 1977; see appendix C-40.

<sup>129</sup>Subcommittee staff interview with Kim Jin Suk, June 1, 1978; "Confidential List," see appendix C-40, letter from Interarms Monaco to Interarms Virginia, ibid.

Park confirmed to the subcommittee that Kim Jin Suk had acquired the list from the Korean Ministry of National Defense.<sup>130</sup> Kim Jin Suk, in an interview, not only corroborated that he had acquired the list from "a high-ranking general" within the Ministry, but that it was drawn up expressly at Kim's request.<sup>131</sup>

Five months later Robert Conkling, another Park associate, provided Interarms with copies of both the reply from General Yoo and the confidential list.<sup>132</sup> He informed Interarms that Park and his associates "were interested in discussing with [Interarms] the possibility of Interarms being their exclusive export sales office for material [on the confidential list] on an official basis operating out of Manchester and coordinating through a Korean Government office in Seoul." Conkling said he would coordinate this with Park in Seoul, where he was to be the following week, "and Tongsun would also [coordinate] with President Park," that "President Park might want [Cummings] to come out this winter and make a formal deal with them if he [President Park] chose to go ahead on this *modus operandi*."

On January 16, 1978, Conkling wrote Cummings detailing the "extensive research" that Park and his associates had done on the feasibility of a joint venture to market arms within and outside of Korea.<sup>133</sup> "Dealing directly with the appropriate authorities and the several companies that make up the defense industry of the Republic of Korea," Conkling wrote, "the basic mechanics for operating at this end have been set up."

The scope of activities for the proposed joint venture included both export of Korean defense industry products ("sale of ROK manufacturing items and of some surplus. At this time we feel initially the largest supply item will be ammunition") and attraction of foreign defense production technology to Korea, with the goal of "re-export to established overseas markets." Conkling closed the letter noting that Park and his associates "have moved with the utmost care in dealing with the Government of the Republic of Korea and the private sector in this most important and delicate industry."

The proposed joint venture was to export the 37 items contained on the list. A great many of those items required prior approval by the United States for export, although that was noted in the case of only five. Among those for which no such stipulation was indicated were the AN-PR77 radio, the "PT Boat," and the M-203's, all of which were produced in Korea with U.S. technological assistance. Aside from the issue of State Department approval, if Korea were to export these items, it would be doing so in competition with the U.S. firms producing them in the United States, which had only provided Korea with production technology on the understanding that Korea would make no exports.<sup>134</sup> The Korean Government obviously was aware of the approval requirement—it was stated in every manufacturing license agreement issued by the

<sup>130</sup> Subcommittee staff interview with Tongsun Park, June 5, 1978.

<sup>131</sup> Subcommittee staff interview with Kim Jin Suk, June 1, 1978.

<sup>132</sup> Letter from Interarms Monaco to Interarms Virginia, Nov. 17, 1977, appendix C-40.

<sup>133</sup> Letter from Robert J. Conkling to Samuel Cummings, Jan. 16, 1978, see appendix C-46.

<sup>134</sup> A number of U.S. manufacturers who have supplied production technology to Korea have expressed concern about what they view as competition from the Koreans in international markets.

State Department and had been a key tenet in U.S. arms control policies for a decade.

In April 1978, in response to a stepup in Korean requests for approval to transfer munitions items produced in Korea with U.S. assistance, the State Department resorted once again to conveying to the Korean Government the details of the State Department's policy against these kinds of transfers to third countries. Even after that, the State Department received yet another request, this one for permission to transfer 105mm howitzers to the Philippines. A State Department official commented:<sup>135</sup>

\* \* \* The people here nearly went through the roof. If the threat from the North is as great as the Koreans have been telling us all these years, then why are they trying to export what they've told us they need for their own defense?

### *Conclusions and recommendations*

Episodes such as the Interarms-Tongsun Park and Tong Il negotiations over the export of arms from Korea, the missile systems issue, and Korean pursuit of a nuclear weapons capability led the subcommittee to conclude that there were two faces to Korean Government defense policy; a public and official stance in support of U.S. policy, and a private, covert strategy of pursuing its own goals, frequently in circumvention of and with scant consideration for U.S. policy.<sup>136</sup>

The Republic of Korea is, of course, a sovereign power. In theory there is no question as to the legitimacy of a sovereign state attempting to increase independently its sources of supply of goods or services. From a practical standpoint, however, the actions of sovereign states do not occur in a vacuum. In the case of the Republic of Korea, defense spending involved billions of dollars from the United States, which was and is committed to building and maintaining the defense of that country. In the long run, these expenditures were aimed at Korean self-sufficiency in providing for its own defense needs. In many cases, Korea itself had requested the assistance.

For its part, the United States followed an ambiguous policy with respect to Korean self-sufficiency that both left the door open to Korea to pursue its own goals, and probably created uncertainty as to the exact intentions of the United States. And, as noted in earlier sections, the U.S. frequently failed to respond to Korean attitudes about events involving their security.

The subcommittee concluded:

(1) That there appeared to be a continuing discrepancy between United States and Korean perceptions of the military needs of the Republic of Korea;

(2) That in the area of arms exports, there appeared to be a contradiction between the stated policy of the Republic of Korea and the activities it had undertaken;

<sup>135</sup> Subcommittee staff interview, Aug. 16, 1978.

<sup>136</sup> It seems obvious that foreign governments, like Korea, do not share the same foreign policy interests as the United States; U.S. relations with, for example, the Philippines are not the same as Korean-Philippine relations, especially with regard to such issues as human rights. These differences in international relations are the crux of some of the difficulties with third-country transfers of U.S. supplied armaments and munitions items.

(3) That in the area of arms exports, there appeared to be contradictory forces at work within the executive branch of the U.S. Government;

(4) That the Korean Government, through its actions, appeared to question U.S. efforts to regulate international traffic in arms; and

(5) That U.S. policies favoring Korean self-sufficiency in arms production may intensify the arms race on the Korean peninsula.

On the basis of these conclusions, the subcommittee recommends that defense attachés and U.S. military intelligence should closely monitor the export of arms and other munitions by the Republic of Korea. The subcommittee expects that if illegal exports occur, the United States will take steps to deter reoccurrence of such exports within the guidelines of the Arms Export Control Act. Monitoring of these exports would be facilitated if the State Department Bureau of Politico-Military Affairs can improve its liaison with U.S. defense manufacturers and exporters.

## II. INTELLIGENCE ACTIVITIES AND PLANS

### INTRODUCTION

The Korean Central Intelligence Agency (KCIA) is very different from the U.S. Central Intelligence Agency. Unlike the U.S. CIA, which has no statutory authorization for police, subpoena, law enforcement, or internal security functions, the KCIA is legally empowered to carry on police, public relations, and investigatory activities, in addition to foreign and domestic intelligence gathering.<sup>1</sup>

The subcommittee received a great deal of evidence about the pervasive influence of the KCIA in Korean society. Gregory Henderson, an American scholar of Korea characterized it as a "state within a state."<sup>2</sup> Former KCIA Director Kim Hyung Wook said that it combines the functions of the U.S. CIA and FBI.<sup>3</sup> Former Korean diplomat Lee Jai Hyon testified: "The KCIA is involved in virtually every aspect of Korean life."<sup>4</sup> What concerned the subcommittee and in large part led to this investigation was that many Korean-born persons living in the United States also felt the omnipresent effects of the KCIA in their adopted country.

Because of allegations that the U.S. CIA had helped establish the KCIA, the subcommittee staff reviewed documents and interviewed U.S. Government officials stationed in Korea in the early 1960's as well as private citizens in an attempt to ascertain the facts about the KCIA's origin. As best as can be determined from available evidence and memories, they are as follows.

In 1960, when the Government of Prime Minister Chang Myon was in power, Lee Hu Rak began to set up a "combined intelligence research center" for the collection and analysis of foreign intelligence. When Park Chung Hee's coup occurred in May 1961, Lee was removed and Kim Jong Pil, the main planner of the coup, took over the nascent center, renaming it the Korean Central Intelligence Agency.<sup>5</sup>

In response to the allegation that it had participated in starting the KCIA, the U.S. CIA informed the subcommittee that it did not initiate plans for, help to establish, or have any involvement in founding the KCIA.<sup>6</sup> U.S. officials did tell the subcommittee staff that they had strongly recommended that the KCIA not encompass both internal security and foreign intelligence collection functions.

From the beginning Kim Jong Pil viewed the KCIA as an instrument to preserve his personal political power; succeeding KCIA directors followed suit in varying degrees. The KCIA has always been one of the major power blocs in Korea, and its directors have been feared by many Koreans. It is generally acknowledged that

<sup>1</sup> Central Intelligence Agency Act, law No. 1501 promulgated Dec. 14, 1963; amended by law No. 2590, March 1973; Laws of the Republic of Korea, Third Edition, January 1975, The Korean Legal Center, Seoul, Korea, p. 83.

<sup>2</sup> "Activities of the Korean Central Intelligence Agency in the United States," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 94th Cong., 2d sess., part I, Mar. 17 and 25, 1976 (hereinafter referred to as "SIO-I"), p. 4.

<sup>3</sup> "Investigation of Korean-American Relations," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 95th Cong., 1st sess., part 1, June 22, 1977 (hereinafter referred to as "KI-1"), p. 17.

<sup>4</sup> "Activities of the Korean Central Intelligence Agency in the United States," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 94th Cong., 2d sess., part II, June 22, Sept. 27 and 30, 1976 (hereinafter referred to as "SIO-II"), p. 8.

<sup>5</sup> See also "Part B: Review of Korean-American Relations," pp. 22-23.

<sup>6</sup> Further details of the CIA's response were not declassified.

because of its vast resources and almost unlimited authority, the KCIA has interfered in the lives of Koreans—even naturalized U.S. citizens—and in policymaking, press, and academic circles in the United States.

#### RESPONSIBILITIES OF KCIA OFFICERS STATIONED IN THE UNITED STATES

In testimony before the subcommittee, Kim Sang Keun, a former KCIA officer with 15 years of experience—6 of them in the Korean Embassy in Washington—described the routine responsibilities of KCIA officers assigned to the Embassy.<sup>7</sup> From 1970 to the beginning of 1975, there were on the average 6 or 7 KCIA officers under diplomatic cover in Washington reporting to a station chief with the diplomatic rank of minister. Each officer was assigned to one or two of the following areas of responsibility: Executive Branch; Defense Department; Congress; academic community; media; Korean residents (that is, Korean citizens, naturalized U.S. citizens and permanent residents of the United States); KCIA administration; KCIA procurement; and KCIA communications.

Kim and other former KCIA officers made clear to the subcommittee that KCIA officers were not supposed to discuss their work with each other except when necessary. Normally, only the station chief was informed as to what each officer was doing. However, Kim was able to describe each area in general terms.

The officer responsible for the executive branch was to monitor and evaluate all policy matters of interest to Korea being considered or undertaken by the executive branch of the U.S. Government. Throughout the period 1970-76, the Congress and the Department of Defense were assigned to the same officer. He was to maintain contact with "pro-Korean" Members of Congress and increase the number of Members favoring Korean Government positions. In his contacts with the Defense Department he was to maintain liaison and monitor policy decisions of interest to Korea. The officer assigned to academia was "to induce American scholars and Korean scholars in this country to write and to publish articles favorable to Korea" in order to give Americans a favorable impression of the country. The officer responsible for the media was to "induce or request" American reporters to write articles favorable to the Republic of Korea; he also reported to Seoul on articles about Korea in the U.S. press, particularly influential newspapers.<sup>8</sup> The officer responsible for administration of the local station handled recordkeeping, support to KCIA officers, the KCIA portion of the diplomatic pouch, et cetera. He also was in charge of procurement; KCIA headquarters sent him instructions on what to purchase and he would ship the goods to Seoul via pouch.<sup>9</sup>

As a matter of course, all KCIA officers stationed at the Embassy were required to report to the American desk at KCIA headquarter-

<sup>7</sup> "Investigation of Korean-American Relations," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 95th Cong., 2d sess., June 1, 6, and 7, 1978 (hereinafter referred to as "KI-5"), pp. 55-60.

<sup>8</sup> KI-5, p. 56.

<sup>9</sup> The subcommittee received information on procurement which was difficult to evaluate. It obtained a list, classified secret, of equipment to be procured which included electronic surveillance equipment and poison. Depending on the purposes for which the items were to be used, this procurement raised serious questions.

ters in Seoul. The officer in charge of communications in Washington coded their reports for transmission; he also decoded and distributed incoming cables.

Having been responsible for Korean residents, Kim Sang Keun was able to give a more detailed account of that position. One of his responsibilities was to detect and prevent contact between North Korea and local Korean residents. The KCIA views detection and prevention of North Korean infiltration into the Korean community as one of its primary responsibilities in the United States. One reason is that it could lead to infiltration of South Korean society because many Korean residents in the United States have relatives in Korea.<sup>10</sup>

Kim testified that he had detected no contacts between the North Koreans and local Korean residents, although the Embassy believed that one person in the Washington area had some connections with the DPRK. However, the officer assigned to academia told him that the North Koreans had invited several scholars of Korean background to visit the DPRK. Similarly, Sohn Ho Young, a former KCIA officer stationed in New York City where the North Korean Observer Mission to the United Nations is located, testified:

We have not detected any infiltration on the part of the North Korean mission into the academic community in this country. However, we have detected certain approaches to the ordinary Korean community in this country.<sup>11</sup>

A former ROK consular official stationed in New York told subcommittee staff that consular officials were required to cooperate with KCIA officers in detecting North Korean approaches to Korean residents. The KCIA was interested in persons termed "pro-North" partly because of possible subversion but also because they were anti-ROK Government. In his opinion, few Koreans in the United States actually were pro-North, and allegations were often invented to discredit people with anti-ROK Government views. It should be noted that it was widely believed even among anti-Park Koreans that some anti-ROK Government activities in the United States do have ties with North Korea. Since none of the persons holding this belief were able to furnish substantiation, the subcommittee was unable to determine whether it was true or whether it resulted from the invention of allegations described by the former consular official. That official further said that the New York Consulate was not really worried about North Korean activities because the FBI was closely observing that mission and sharing the information with the Consulate.

Because of allegations of improper activities by DPRK officials in other countries—especially drug trafficking and the sale of duty-free liquor to raise much needed foreign exchange for financially beleaguered Pyongyang—and because North Korean attempts to contact Korean residents in the United States were a major concern of the KCIA, the subcommittee requested an FBI briefing on North Korean activities in the United States. The FBI informed

<sup>10</sup> "Investigation of Korean-American Relations," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 95th Cong., 1st sess., part 3, Nov. 29 and 30, 1977 (hereinafter referred to as "KI-3"), p. 10.

<sup>11</sup> KI-3, p. 26.

the subcommittee that the content of that briefing could not be declassified, but it did provide the following unclassified statement:

The FBI informed the subcommittee in a private briefing that experience through investigation and asset information has shown that countries while awaiting permanent status at the United Nations are hesitant to engage in prohibited acts which might jeopardize their chance of obtaining permanent status.

It should be noted that North Korean activities in the United States did not fall within the mandate of this investigation; therefore, the subcommittee made no independent investigation of those activities.<sup>12</sup>

Among Kim Sang Keun's other responsibilities as officer in charge of Korean residents were distribution of propaganda material about the Yushin constitution and monitoring of anti-ROK Government activities. In gathering information on demonstrations, he cooperated with consular officials and used Korean residents. He also read the local Korean press reports for such information. Particulars about demonstrations, including the names and sometimes photographs of demonstrators, were transmitted to headquarters. Kim kept a file on anti-Government activists to facilitate reporting and to answer specific questions from Seoul.

At the beginning of 1975, the number of KCIA officers in the Embassy suddenly doubled. Testifying as to the reason, Kim said, "I heard, and it is my view now, that during this period \* \* \* KCIA was planning to intensify its activities in the United States \* \* \*"<sup>13</sup> Although he did not know the reason for the greater activity, his personal opinion was that it related to the decrease in U.S. military aid which was planned at the time, as well as the continuing problems with the academic community, the media, and Korean residents.<sup>14</sup> Because of the increase, for the first time an officer was assigned the main responsibility of liaison with the U.S. intelligence community. Another new position dealt with gathering books and other published materials on scientific topics to be sent to Seoul.

According to several former Korean diplomats, tension between KCIA officers and career foreign service officers is a common feature of Korean diplomatic life. This stems both from the KCIA officers' assumption of functions which the diplomats consider their own and from KCIA attempts to direct diplomats in activities which the diplomats view as improper. Some former diplomats indicated that this tension played a role in their decisions to resign from Government service. Such was the case with former information officer Lee Jai Hyon. Yang Yung Man, a former consul at the Korean Consulate in Toronto, publicly stated that he sought refugee status in Canada because KCIA officer Park Shin Chun pressured him heavily to take action against anti-ROK Government activists. Park had been transferred to Canada from the KCIA station in Washington; as of October 1978 he was chief of the American section at KCIA headquarters in Seoul.<sup>15</sup>

<sup>12</sup> Likewise, the investigation did not pursue the question raised in the KCIA's 1976 plan (see pp. 106-110) relating to Americans working on behalf of North Korea, or pro-North Korean residents in the United States, or the matter of Members of Congress named in the plan as having been contacted by the North Korean Government. This last problem was referred to the House Committee on Standards of Official Conduct.

<sup>13</sup> KI-5, p. 55.

<sup>14</sup> KI-5, pp. 72-73.

<sup>15</sup> Confidential subcommittee staff interview.

In sum, much of the daily work of KCIA officials is routine and of unquestionable propriety: Liaison with the U.S. intelligence community; gathering of published materials on policies and actions of the U.S. Government; and monitoring attitudes of the media, academics, the Korean resident community, and the general public. Kim Sang Keun and Sohn Ho Young—another former KCIA officer—described spending a great deal of time just learning their way around and getting acquainted with members of the Korean community.

It is possible to conduct the activities described above within the bounds of legality and propriety. However, some of them can easily be conducted improperly or illegally, such as inducing scholars and newsmen to favor the Korean Government and monitoring anti-Government demonstrations.

#### HARASSMENT AND INTIMIDATION

Harassment and intimidation of persons in the United States were clearly outside the scope of proper activities. By 1972, the U.S. intelligence community was aware that the KCIA was not only monitoring the activities of Korean residents in the United States, but also "attempting by unlawful means to influence and sometimes intimidate hundreds of Korean nationals who were living in this country."<sup>16</sup>

Within the Korean-American community it was widely believed that KCIA intimidation and harassment were commonplace. This belief was frequently cited as a factor in the reluctance of persons of Korean origin, whether U.S. citizens or not, to speak with subcommittee staff. Almost every such person contacted expressed concern lest even the fact that he or she had talked with subcommittee staff become known to the Korean Government. This was true whether or not the person supported or opposed the ROK Government. They expressed fear for themselves, for relatives living in Korea, and for their businesses, especially when engaged in business with Korea.

Despite the belief in and assertions of widespread harassment and intimidation, it proved difficult to obtain hard evidence. Incidents regarded as threats by the KCIA were often ambiguous; for example, silent or anonymous telephone calls late at night. The origins of damaging rumors were hard to verify. In some clear cases of harassment, it was difficult to prove KCIA involvement. Nonetheless, the subcommittee found sufficient evidence to conclude that the KCIA had engaged in a systematic process of intimidation and harassment of Korean residents in the United States.

Kim Woon Ha, the publisher of a Korean-language newspaper in Los Angeles, testifying before the subcommittee in March 1976, said:

Because of abusive KCIA activities \* \* \* Los Angeles is not U.S. territory to Korean-Americans; it has become rather a territory of South Korea. To these Koreans, the mayor of Los Angeles is not Tom Bradley but the Korean Consul General.<sup>17</sup>

<sup>16</sup> "Activities of 'Friendly' Foreign Intelligence Services in the United States: A Case Study," Report of the Senate Select Committee on Intelligence, U.S. Senate, June, 1978, p. 1.

<sup>17</sup> SIO-1, p. 17.

After many years as a journalist in Korea, Kim worked in the United States from 1972 until 1974 as a correspondent for two major Korean papers. He testified that he was

\* \* \* surprised because Korean-American journalism in the United States suffered conditions similar to those in Korea. This was true in the United States which guarantees freedom of the press. \* \* \* There were two KCIA agents [who] directly controlled the news media. \* \* \* When reporters did not obey their instructions, they intimidated them; and additional intimidation came from newspaper headquarters in Seoul at the direction of KCIA-Seoul.

Their methods of intimidation included threats of losing jobs, refusing extension of passports and other redtape, pressuring newspaper companies to recall the Los Angeles-based journalists and sometimes physical threats were used. I was also intimidated and experienced direct intervention from the KCIA for about 1 year.<sup>18</sup>

After resigning and taking over a local Korean paper, *The New Korea*, Kim began what he described as an active campaign for the human rights and welfare of Korean-Americans and to advocate democracy and human rights in Korea. Kim testified that the Korean Consul General, Park Young, tried to blunt his criticism by offering him a free trip to Seoul with promises of good treatment there. The Consul General and the KCIA station chief asked Kim not to criticize the ROK Government and told him he would experience retaliation if he persisted. When Kim continued his criticism, the Consul General successfully pressured a number of advertisers to withdraw their support.

A National Assembly member visiting from Seoul told Kim that he could offer, on behalf of KCIA Director Shin Jik Soo and Minister of Culture and Information Lee Won Kyong, considerable financial support for *The New Korea* if Kim would stop criticizing the Korean Government. If Kim did not accept, he would face retaliation. Shortly thereafter, a man whom Kim regarded as an "underground KCIA agent" gave him "final notice" to choose one of three alternatives: (1) stop criticizing and accept the financial support; (2) sell or close the paper; or (3) face retaliation. After refusing the offers and ignoring the threats, Kim was labelled a Communist by the KCIA. Friends and supporters drew back from him, employees resigned, new employees could not be found. Kim and his wife managed to keep the paper going alone.

Song Sun Keun, who published a Korean-language newspaper in San Francisco, testified to similar experiences.<sup>19</sup> Song began to publish his paper, which was critical of the Korean Government and of KCIA activities in the United States, shortly after the Yushin system was established in Korea at the end of 1972.<sup>20</sup> A local Korean businessman offered support if Song would turn his paper into "a pleasant community bulletin board." He received a handsome offer to buy the paper, but refused and continued to be critical of the Korean Government.<sup>21</sup>

One event which Song publicized was the disruption of Kim Dae Jung's speech in San Francisco in May 1973. It was the most serious KCIA effort to monitor and interfere with Kim Dae Jung's activities in the United States. At one point the Consul General in San Francisco, an old friend of Song's family, had ordered Song not

<sup>18</sup> SIO-I, pp. 17-18.

<sup>19</sup> KI-5, p. 79.

<sup>20</sup> See "Part B: Review of Korean-American Relations," p. 38.

<sup>21</sup> KI-5, p. 81.

to arrange another meeting for Kim. Song challenged the Consul General's authority to give orders to a U.S. citizen and refused.<sup>22</sup>

When Song persisted in his criticism, Limb Man Sung, the KCIA officer at the Consulate General, pressured advertisers to withdraw their business. During the 1976 campaign for the election of officers of Bay Area Korean residents, Song actively opposed the slate of candidates supported by the Korean Consulate. On the night before the election he stationed himself outside the Consulate with a camera. According to Song's testimony, Limb became so enraged at finding him there that he attempted to run his car into Song's. At a later time, Limb told Chung Tai Bong, a mutual acquaintance of Limb and Song, that he was arranging to have Song killed.<sup>23</sup> Eventually the withdrawal of advertising forced Song to stop publishing.

Retired Admiral Lee Yong Woon, who was active in anti-Government circles, told subcommittee staff that he had been harassed by the Korean Government, including the KCIA, in four countries: Korea, Vietnam, Japan, and the United States. It had been alleged by some Koreans that he had ties with North Korea. Kim Woon Ha testified that the Consul General and the KCIA station chief in Los Angeles once asked him to publish a prepared article attacking Lee. Lee said he once declined an offer of \$100,000 from a person he believed to be a KCIA agent to stop his anti-Government activities. A Korean whom he hired to work in the motel he operated turned out to be a KCIA agent, according to Lee, who sabotaged expensive equipment. On one occasion when Lee was away, a group of three or four Koreans came to the motel late at night in consulate cars. Their questioning about Lee's whereabouts so upset the manager that he reported the incident to the FBI. On another occasion two masked men entered the motel with guns and said they were there to kill Lee, but were frightened away by the arrival of a customer. Lee said he received numerous threatening phone calls. He also told subcommittee staff that his son who lives in Seoul was interrogated and tortured by the KCIA on a number of occasions in connection with Lee's activities.

Cho Byung Ung, a Chicago shoemaker, was warned by persons whom he considered to be KCIA operatives that if he did not stop his anti-Government activities his family in Korea might be harmed and his wife not allowed to come to the United States. Cho's wife told him by telephone and letter that she was frequently interrogated by the KCIA. She even threatened to divorce him because she could not stand the pressure.

The subcommittee received numerous other allegations of KCIA harassment from anti-Park Korean-Americans. Many were accused of being Communists. Friends visiting from Korea were told by the KCIA to avoid them. Businesses were boycotted, apartments and offices ransacked. Anti-Government activists had trouble getting their Korean passports renewed. Threats were voiced concerning the welfare of relatives in Korea, as mentioned earlier. Relatives in Korea wrote letters urging their U.S. families to stop anti-Park activities. Those who received the warnings believed them to be the work of the KCIA; they pointed out that their relatives in Korea

<sup>22</sup> KI-5, p. 83.

<sup>23</sup> See Chung Tai Bong's sworn statement, KI-5, appendix 5F, p. 214.

could only have learned of their activities in the United States if the KCIA had informed them. There were also allegations that the KCIA attempted to control the Korean-American community through churches and that it went so far as to ordain quickly and send clergymen to this country for that purpose.<sup>24</sup>

Not all of the subcommittee's information on harassment and intimidation came from the victims. Kim Sang Keun testified at length about the measures against Kim Dae Jung in 1973. He also said that the KCIA closely monitored anti-Park demonstrations and photographed the participants. Former Education Attaché Kang Kyung Koo told the subcommittee that he tried to persuade students not to demonstrate, saying they would get in trouble with the FBI and that their chances for future employment in Korea might be harmed.<sup>25</sup>

#### INFLUENCE ACTIVITIES

As noted in the introduction to this section, KCIA participation in influence activities in the United States was not a departure from its authorized scope of duties. In some ways the KCIA acted in the United States as if it were in Korea.

The KCIA had responsibility for much of the Korean Government's influence activity in the United States, many operations being carried out according to its formalized plans and instructions. Some of its work was directed from the Blue House as part of President Park's efforts to control influence activities in the United States. Other ROK Government factions were also carrying on lobbying and influence activities independent of, and in some cases vying with, the KCIA.<sup>26</sup> Finally, within the KCIA itself, factions, personal allegiances, and changes in leadership and policy significantly affected its activities in the United States. Adding to the complexity of the situation was the fact that the KCIA often carried out its missions through other Korean Government agencies and non-Governmental organizations and individuals.

#### *The KCIA's plans for clandestine operations*

The first detailed public description of KCIA influence operations in the United States was provided in June 1975 when Lee Jai Hyon testified before this subcommittee. Lee, who had been chief cultural and information attaché at the Korean Embassy in Washington from 1970 to 1973, described meetings he had attended at the Embassy in the spring of 1973 at which the KCIA station chief had described a KCIA plan for clandestine operations in the United States. Lee described the plan as "highly sophisticated"; its purpose was to "mute criticism" of President Park's government and included buying off potential supporters in the United States.

The KCIA plan outlined by Lee covered nine points:

- (1) To seduce and, if possible, buy off American leaders—particularly in Congress—who have had any kind of close personal contacts with Korea through the Korean war or business.
- (2) To apply covert pressure on the important American businessmen who have vested interest in Korea to exercise their influence in the Congress and the administration to support Park's repressive policies.

<sup>24</sup> Subcommittee staff interviews.

<sup>25</sup> KI-5, pp. 57-58; 112.

<sup>26</sup> See "Part C-III: Executive Branch Awareness of Questionable Korean Activities," pp. 124-125; 129; 149.

(3) To organize more American and Korean business groups, like the American-Korean Chamber of Commerce in New York and elsewhere, that would voice support for Park through their officers possibly handpicked and prodded by the KCIA.

(4) To organize professional associations and societies of Korean scholars in the areas of Korea, East Asia, and Communist affairs studies to extract their support for Park, with reward of Embassy entertainments and possibly free VIP trips to Korea.

(5) To organize indirectly, or to finance covertly scholastic meetings, seminars and symposia of Korean and American professors to rationalize Park's dictatorship or, at least, to curb their criticism. \* \* \*

(6) To publish through KCIA's front-men pro-Park Korean community newspapers in Washington and some other major cities in the United States to disseminate Park's propaganda among the Korean residents. \* \* \*

(7) To operate and finance through KCIA's front-men and collaborators Park's propaganda Korean language broadcasting in Washington and other areas of large Korean communities. \* \* \*

(8) To regiment Korean communities in the United States by infiltrating with front-men or undercover agents the established Korean residents associations and by creating new ones where such associations have not yet been organized. \* \* \*

(9) To intimidate "uncooperative" Korean residents in the United States through their families, relatives and close friends in Korea, to silence dissidents and to make already silent ones more "cooperative." \* \* \*<sup>27</sup>

Lee's testimony was corroborated by additional evidence gathered by this and other congressional and executive branch investigations. The allegation that part of the plan was to "seduce" and "buy off" American leaders, particularly in Congress (point 1), resulted in extensive investigations by the Justice Department and the two ethics committees of Congress. Instances were uncovered of actual and attempted cash payments to U.S. legislators, as well as less direct forms of "seduction."

Other allegations made by Lee Jai Hyon were similarly substantiated. For example, the subcommittee found that the ROK Government with the active participation of the KCIA had indeed covertly financed academic activities (point 4);<sup>28</sup> that it had covertly financed Korean residents' newspapers and broadcasting media (points 6 and 7);<sup>29</sup> that it had attempted to infiltrate Korean residents associations (point 8); and that the KCIA took steps to intimidate "uncooperative" Korean residents in the United States (point 9).

Prior to 1973, executive branch reports indicated that President Park was personally aware of influence activities in the United States.<sup>30</sup> In the summer and fall of 1973, other reports indicated that the KCIA was harassing Korean residents and was believed to be involved in kidnaping Korean opposition leader Kim Dae Jung. Kim's kidnaping increased the fear with which Korean-Americans regarded the KCIA.

### *Kim Sang Keun's testimony*

Testimony and information from Kim Sang Keun, a KCIA officer at the Korean Embassy in Washington from 1970 to 1976, added

<sup>27</sup> "Human Rights in South Korea and the Philippines: Implications for U.S. Policy," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 94th Cong., 1st sess., May 20, 22, June 3, 5, 10, 12, 17, and 24, 1975, pp. 180-181.

<sup>28</sup> See "Approaches to U.S. Scholars and Research Institutes," and "Use of Academic Conferences" in "Part C-V: Educational, Informational, and Cultural Activities," pp. 284-295.

<sup>29</sup> See "Attempts to Influence Korean Media in the United States" in "Part C-V: Educational, Informational, and Cultural Activities," pp. 301-305.

<sup>30</sup> See "Part C-III: Executive Branch Awareness of Questionable Korean Activities," pp. 124-125; 129.

further details. Kim's main duties, as noted earlier, had to do with local Korean residents. While his information on KCIA operations was limited, it still supported the reports of Lee Jai Hyon, the executive branch, and other sources which indicated the existence of KCIA plans.

In 1973 the KCIA and the Korean Ambassador in Washington formulated a written "Plan to Properly Guide the Korean Residents," according to Kim. It resembled the Korean residents section of the "1976 Plan for Operations in the United States" which was published by this subcommittee in November 1977.<sup>31</sup> Although he did not attend, Kim was aware of meetings of higher ranking Embassy officials in the spring of 1973 held under the leadership of KCIA Station Chief Yang Doo Won (also known as Lee Sang Ho).

As described elsewhere in this report, in 1973 U.S. Government officials became concerned about KCIA activities in the United States and asked for KCIA station chief Yang's recall to Seoul.<sup>32</sup> After returning to Seoul Yang was promoted to the position of Deputy Director for Security of the KCIA and was given supervisory responsibility over all KCIA influence activities directed at the United States. Thus, the change represented by Yang's recall was largely cosmetic. From that position Yang continued to orchestrate KCIA influence activities in the United States throughout 1974 and 1975. He sometimes circumvented the usual chain of command through the Washington station chief and gave orders directly to individual KCIA officers in the Embassy. In 1974, for example, Yang sent instructions to Kim Sang Keun regarding what came to be known as Operation White Snow. Kim was to be the field officer in charge of reporting on the activities of Hancho Kim, an American citizen who told Kim Sang Keun that he had numerous contacts with prominent Americans, including Congressmen, a White House aide, journalists, and academicians. The object of Operation White Snow was to exploit these contacts in order to create public attitudes and political influence favorable to the Korean Government. The operation was to include buying off and seduction of Congressmen and others as described by Lee Jai Hyon in his testimony. Kim was to report directly to Yang.<sup>33</sup>

Yang bypassed the KCIA station chief on other occasions also. In 1975 he instructed Kim Sang Keun to receive and disburse funds for an intelligence and influence operation involving Tongsoo Park, which included teaching Park how to write intelligence reports and send them to Seoul. Park was shown how to communicate with KCIA headquarters in Seoul via a telex machine in his office.<sup>34</sup> Again Kim reported directly to Yang. In late 1975 Yang had Kim Sang Keun deliver a letter and \$3,000 to Pak Bo Hi, president of the Korean Cultural and Freedom Foundation and special assistant to Sun Myung Moon. Kim received these instructions

<sup>31</sup> KI-5, p. 64; KI-3, pp. 135-137.

<sup>32</sup> See "Part C-III: Executive Branch Awareness of Questionable Korean Activities," p. 147-148.

<sup>33</sup> The details of the Hancho Kim operation were extensively covered in hearings of the House Committee on Standards of Official Conduct and in the trial of Hancho Kim on charges of conspiracy to bribe public officials, which resulted in a guilty verdict on Apr. 8, 1978.

<sup>34</sup> See "Korean Influence Investigation, Part 1," hearings before the Committee on Standards of Official Conduct, 95th Cong., 1st sess., Oct. 19, 20, and 21, 1977; testimony of Kim Sang Keun p. 62; testimony of B. Y. Lee, p. 79.

tions directly from Yang who did not tell him why the money was being sent.<sup>35</sup>

In September 1975, Choi Cheyung, president of the United Young Co. in New York City, which has sold equipment to the KCIA, presented Kim Sang Keun with a letter from Yang Doo Won. It instructed Kim to turn over to Choi the \$400,000 which Yang had entrusted to Kim in mid-1975. Yang had transmitted the \$400,000 in the form of checks drawn on Tongsun Park's Riggs National Bank account, payable to Kim Sang Keun. Choi was to safeguard the money and return it to Yang with accrued interest when instructed to do so. Choi deposited the money in various bank accounts. In addition, he purchased \$50,000 worth of stock in the Diplomat National Bank in September 1976, some of them which Unification Church members had had to sell back following publicity about large-scale purchases by Moon and his followers.<sup>36</sup> Choi insisted to subcommittee staff that the bank investment was not made at the direction of anyone else.

Yang Doo Won also sent Kim Sang Keun approximately \$10,000 in a diary cover with instructions to convey it to a Dr. C. C. Choi (a different person from Choi Cheyung) for unspecified reasons.<sup>37</sup> Kim also testified that he received substantial sums from Yang to support a newspaper in the Washington area run by Hahn Kwang Neun.<sup>38</sup>

To some extent Yang's bypassing of normal channels reflected personality differences and factionalism within the KCIA. KCIA directors and other high ROK Government officials often retained the loyalty of former subordinates for years after losing their titles and positions, enabling them to exercise continued influence and to receive personal favors. Yang had been Kim's immediate superior in Washington and Kim was expected to retain close and loyal ties to him.<sup>39</sup>

Some of the persons and organizations used by the KCIA to carry out assignments in the United States had connections with high Government officials in Seoul and therefore did not have to work through the local station chief. This also accounted for the circumvention of the normal chain of command in the KCIA. Tongsun Park, for example, made it clear to Kim Sang Keun that he considered it beneath his dignity to be instructed by a low-ranking KCIA official. Park delegated this function to his subordinate, B. Y. Lee, while Park kept his own high-level contacts with the Korean Government.<sup>40</sup> Because of his connections in Seoul, Park was able to

<sup>35</sup> Pak told Kim at the time, and testified to the subcommittee, that the money was used to reimburse a Japanese Unification Church member for speaking at ROK Government anti-Communist rallies in Korea. See also the "Moon Organization" in "Part C-V: Educational, Informational, and Cultural Activities," p. 370.

<sup>36</sup> See also "Moon Organization" in "Part C-V: Educational, Informational, and Cultural Activities," p. 383.

<sup>37</sup> According to Dr. Choi Chai Chang, Chung Kyu Sup, a former Korean diplomat now living in the United States, told Choi in early 1975 that he had asked Yang Doo Won to send a package of money for him through the diplomatic pouch. Chung asked Choi to accept the package on his behalf if someone should bring it from the Korean Embassy. Several months later, Kim Sang Keun delivered a sealed package to Choi without comment. Choi telephoned Chung who came a few hours later and took the package away without opening it. According to Choi, they never discussed the contents of the package. Chung confirmed Choi's version of these events.

<sup>38</sup> Hahn and his newspaper were referred to in the media section of the KCIA's 1976 plan; see p. 106ff; also see "Attempts To Influence Korean Media in the United States," p. 303.

<sup>39</sup> Subcommittee staff interviews of Kim Hyung Wook and Kim Sang Keun.

<sup>40</sup> Subcommittee staff interviews of B. Y. Lee and Kim Sang Keun.

survive the bitter enmity of Korean Ambassador to Washington, Kim Dong Jo.

Pak Bo Hi likewise had influential contacts in Seoul, making it unnecessary for him to work through lower ranking Korean officials in Washington and also counterbalancing those in the Government who opposed him and the Moon Organization he represented. Kim Sang Keun first met Pak in 1970 or 1971, when, as a new KCIA officer in Washington, he accompanied fellow KCIA officer Col. Lim Kyuil to Pak's office. Colonel Lim was serving as an assistant military attaché at the Embassy, a position which Pak had held from 1961 to 1964. Lim and Pak had a private conversation in a room apart from Kim.<sup>41</sup> Later Kim saw Pak at a Little Angels concert and occasionally at the Embassy, but had no further contact with him until he delivered the letter and money from Yang Doo Won in 1975. Kim said Pak did not get along well with the KCIA station chief in Washington from 1974 to 1976, Kim Yung Hwan, but that Pak was close to Yang.<sup>42</sup> Kim also said that at one time the KCIA in Washington had discussed using Pak but concluded that he could not be managed from Washington because of his direct connections with the Blue House.

Lee Jai Hyon recalled Pak's participation in a Blue House project to publish a book laudatory of Park Chung Hee and his Government.<sup>43</sup> Lee also said that Pak was able to send messages to Seoul through the communications room at the Korean Embassy.

Pak Bo Hi, during his testimony before the subcommittee, revealed that he had ties with Park Chong Kyu, head of the Presidential Protective Force; Kim Sang In (Steve Kim), a KCIA agent according to a State Department official; and Kim Un Yong (Mickey Kim), a subordinate to Park Chong Kyu. It was Pak Bo Hi and Park Chong Kyu together who arranged for the letters that were sent on Blue House stationery, signed by President Park, to American supporters of Radio of Free Asia, a project of Pak's Korean Cultural and Freedom Foundation.<sup>44</sup> This occurred in the fall of 1970 shortly after the decision was made that Park Chong Kyu and Pak Bo Hi were to be part of a coordinated lobbying plan directed at the United States.<sup>45</sup> Also noted elsewhere in this report is the fact that Park Chong Kyu commanded a power bloc within ROK Government circles that rivaled the KCIA. Thus, like Tongsun Park, Pak had powerful connections in the Korean Government independent of the KCIA.

Kim Sang Keun made it clear to the subcommittee that it was not his practice to inquire into the underlying relationships between individuals such as Tongsun Park, Hancho Kim, Pak Bo Hi, and Korean officials in Seoul. Since Kim spoke little English, he was not in a good position to determine what relationships they had with Americans, particularly American officials. There was, therefore, a potential for exaggeration and distortion built into the

<sup>41</sup> Subcommittee staff interview of Kim Sang Keun.

<sup>42</sup> See also Kim Hyung Wook testimony, KI-1, p. 29.

<sup>43</sup> See "Moon Organization" in "Part C-V: Educational, Informational, and Cultural Activities," p. 365.

<sup>44</sup> See also "Part C-III: Executive Branch Awareness of Questionable Korean Activities," p. 126; "Moon Organization" in "Part C-V: Educational, Informational, and Cultural Activities," pp. 364-365.

<sup>45</sup> "Part C-III: Executive Branch Awareness of Questionable Korean Activities," pp. 124-125.

KCIA's system of conducting covert influence operations such as the ones reported by Kim Sang Keun.

*KCIA use of "outsiders"*

The KCIA's use of non-KCIA officials, whether private citizens or government officials—including Tongsun Park, Pak Bo Hi and Hancho Kim—was consistent with the 1973 plan outlined by Lee Jai Hyon. Lee said, "I realized that the meetings were in fact an initiation of converting all the diplomatic and consular officers into KCIA auxiliaries."<sup>46</sup>

Without the help of people from other ROK Government agencies and as well as from individuals outside the Government, the KCIA could not have conducted the kinds of influence activities it planned. Only a very few KCIA officials, such as Steve Kim, spoke fluent English and could move easily among influential Americans. Contact, therefore, had to be made through agents of influence, collaborators, and informants with the appropriate educational, professional, and linguistic backgrounds. These assets included Tongsun Park, who was friendly with Congressmen and other government officials; Pak Bo Hi, with access to the Moon Organization; Kang Young Hoon, the director of a research institute; Suzi Park Thomson, employed in the office of House Speaker Carl Albert; and Kim Kwang, an aide to Congressman Cornelius Gallagher. These resources complemented those of the KCIA and could not have been duplicated by relying solely upon regular KCIA employees. Often, as with Tongsun Park and Pak Bo Hi, the KCIA had to share these resources with other power blocs; its control was further limited by their personal ambitions. The KCIA was also hampered by the fluctuating availability of operating funds from Seoul.

The subcommittee's investigation uncovered numerous instances where other branches of the Korean Government were used to help the KCIA. According to former KCIA Director Kim Hyung Wook, in the early stages of Tongsun Park's relationship with the KCIA, Kim had the Korean Exchange Bank transfer large currency holdings from one U.S. bank to another to assist Park in obtaining a loan for his George Town Club. Kim also assisted Pak Bo Hi and Yang You Chan in setting up Radio of Free Asia by telling the Ministry of Culture and Information to give the project its support.<sup>47</sup>

The rivalry between the KCIA and other power blocs was again illustrated by the dispute over the rice commissions Tongsun Park received in 1971. Park Chong Kyu "snatched" this money from Park, but eventually agreed to give it back following negotiations with Kim Hyung Wook and Lee Hu Rak. The KCIA's position was that Park needed the money for influence activities in the U.S. Congress, whereas Park Chong Kyu wanted it for the political coffers of the ruling Democratic Republican Party. (This incident was denied by Park in discussions with subcommittee staff.)<sup>48</sup>

<sup>46</sup> SIO-II, p. 3.

<sup>47</sup> Kim also used his authority as KCIA director to expedite the issuance of passports for the Little Angels; see KI-1, pp. 27-28.

<sup>48</sup> KI-1, pp. 23-24; subcommittee staff interview of Tongsun Park.

## WRITTEN KCIA PLANS

When Lee Jai Hyon revealed the KCIA's covert plans to the subcommittee in 1975, there was no written evidence to corroborate his testimony. Later a number of documents did come to light during public testimony. They made it clear that the plans Lee described were part of continuing systematic KCIA efforts to gain influence and control over American institutions by covert means.

The subcommittee found no evidence indicating the existence of formalized written plans for lobbying and influence activities in the United States prior to 1970, although such activities were underway at that time. As noted earlier, the KCIA had been monitoring Korean residents in the United States, creating an atmosphere wherein many Korean residents were afraid to express opposition to the Seoul government. However, it is clear that KCIA activities during the 1960's were not nearly as widespread or ambitious as they became after 1970.

The documents revealed in public testimony which the subcommittee examined were written between 1970 and 1976 and described KCIA plans to influence American policy and opinion. Combined with other information and testimony, they revealed much about KCIA priorities and operating procedures in the United States in the 1970's.

*Documents relating to Tongsun Park's activities*

When Federal agents searched Tongsun Park's residence in Washington, they found a number of documents, written in Korean, which appeared to be carefully drawn plans for intelligence and influence operations in the United States. All but one appeared to have been written in 1970. The remaining one, entitled "The U.S. Congressional Delegation's Visit to Korea," was apparently written in 1974. An additional document dated September 30, 1972, was found in Park's house by one of his employees.<sup>49</sup>

Tongsun Park denied having had any part in composing the documents, but one contained notations in what appeared to be his handwriting, and there were many accurate descriptions of his activities. Park suggested that Steve Kim had composed the documents. (Kim was a frequent visitor to Park's house while serving as an aide to KCIA Director Lee Hu Rak and later as KCIA station chief in Mexico City.) Kim Sang Keun, after inspecting the docu-

<sup>49</sup>The documents were made public by the House Committee on Standards of Official Conduct during its hearings in October 1977 and April 1978 ("Korean Influence Investigation, Part 1," hearings before the Committee on Standards of Official Conduct, 95th Cong., 1st sess., Oct. 19, 20, and 21, 1977; herein referred to as "House Ethics 1"; and "Korean Influence Investigation, Part 2," hearings before the Committee on Standards of Official Conduct, 95th Cong., 2d sess., Apr. 3, 4, 5, 10 and 11, 1978; hereinafter referred to as "House Ethics 2"). The documents were:

1. "Results of TS Activities"—dated Sept. 30, 1972; discussed in the testimony of Jay Shin Ryu, House Ethics 1, pp. 195-199; committee exhibit 60, p. 570.

2. "Korea's Foreign Policy Toward the United States"—House Ethics 2, p. 994.

3. "Plans for Korea's Foreign Policy Toward the United States"—House Ethics 2, p. 1004; this document was apparently written shortly before the November 1970 congressional elections, since it discusses making campaign contributions and refers to events expected to take place in 1971.

4. Report "Relating to Congressman Otto Passman"—House Ethics 2, p. 1040; apparently drafted in late 1970 or early 1971, since it refers to events expected to take place in early 1971.

5. "United States Congressional Delegation's Visit to Korea"—House Ethics 2, p. 1029; apparently drafted in 1974, since it refers to the oil crisis and the resignation of Vice President Agnew as past events, and mentions approaching elections.

ments in the original Korean, concluded that the author had used the terms, format and writing style of the KCIA.<sup>50</sup>

The document entitled "Plans for Korea's Foreign Policy Toward the United States" contained a detailed section on "Invitation Diplomacy": Inviting Senators, Congressmen, media figures, and other prominent Americans to Korea where they could be persuaded to support Korea's position on foreign aid bills and other issues. The plan recounted in detail the results of past invitations to certain Congressmen and concluded that these efforts had been "almost 100 percent successful." In selecting targets for "Invitation Diplomacy," the plan said:

The main targets are U.S. senators and congressmen who are in the position to help Korea. The invitees shall include members of the academia, financial, and media circles on the basis of their involvement in the issues that may arise between Korea and the U.S.<sup>51</sup>

The plan named individual Congressmen, Senators, journalists, and businessmen who were to receive special attention, including invitations to visit Korea. However, the invitations were not to be made directly by KCIA personnel:

It is recommended that invitations be sent out by the speaker of the Assembly or by the Prime Minister, and by a cabinet minister if otherwise inappropriate.<sup>52</sup>

Under a section entitled "Conduct of Diplomacy through Advancing Interests of Senators and Congressmen," the plan advocated harnessing ROK economic policies to the goal of influencing U.S. foreign policy. Business firms within the district of a particular Congressman or Senator were to receive assistance in investing in Korea. Examples of how a Congressman or Senator had been won over by ROK economic assistance to his district were cited. At one point the plan stated:

We give continuous support to the larger firms which have invested in Korea already (Gulf, Caltex, American Airlines, Fairchild) so that we can win over the members of Congress in whose districts the headquarters of such firms are located.<sup>53</sup>

In one revealing passage the plan noted an additional advantage to encouraging economic relationships in congressional districts:

The commissions derived from buying their products and other business transactions can be used to fund our activities. We will have the cake and eat it too.<sup>54</sup>

The subcommittee found numerous ways in which the Korean Government was able to "have the cake and eat it too." Programs and activities designed to advance ROK interests were funded through outside sources, using various means, thereby saving money for the Korean Government and obscuring the relationship between the activity and the government. Rice commissions, for example, helped finance the George Town Club and other Tongsun Park projects. Through the Korean Cultural and Freedom Foundation and its project Radio of Free Asia, the Korean Government was also able to guide and control pro-Government activities which were being financed, wholly or partly, from U.S. sources.<sup>55</sup>

<sup>50</sup> Subcommittee staff interview of Kim Sang Keun.

<sup>51</sup> House Ethics 2, p. 1007

<sup>52</sup> Ibid., p. 1012.

<sup>53</sup> Ibid., p. 1013.

<sup>54</sup> Ibid.

<sup>55</sup> See "Moon Organization" in "Part C-V: Educational, Informational, and Cultural Activities," pp. 355-366.

In the same 1970 plan, \$380,000 was requested immediately for contributions to the fall 1970 congressional election campaigns. Future budgetary needs were to be met as follows:

2. How To Raise the Funds:

(a) The first year (1970): As proposed in the attached paper, \$380,000 should be raised in Korea.

(b) The second year (1971) budget:

(1) Rice imports (Office of Supply and Ministry of Agriculture and Forestry): \$100,000-\$130,000.

(2) Farming equipment imports such as bulldozers (Office of Supply and the Agricultural Promotion Corporation): \$200,000-\$300,000.

(3) M-16 weapons (Ministry of Defense): \$100,000-\$150,000.

(4) Others: \$100,000-\$200,000.

Total: \$500,000-\$780,000.

(c) Future budget:

It is recommended that the 70 percent of the net income—gross income minus expenses—generated by the Agency-assisted future business activities be allocated to support activities for diplomacy toward the Untied [sic] States.<sup>54</sup>

The subcommittee was particularly interested in the reference to the need to raise \$100,000 to \$150,000 through M-16 weapons, since the coproduction agreement between Colt Industries and the Korean Government did not call for any commissions from which such an amount could be siphoned. However, the subcommittee learned that in March 1971, Mickey Kim, acting for Park Chong Kyu, requested a contribution from Colt, ostensibly for the 1971 election campaign of Park Chung Hee. Colt officials initially agreed and drew a check for \$100,000 payable to Mickey Kim, but on the advice of counsel decided against the contribution.<sup>57</sup>

The 1970 plan also contained a section entitled "Diplomacy Through Offered Intelligence." It defined "offered intelligence" as " \* \* \* intelligence obtained from the other side in return for providing accurate intelligence of ours to them in order to achieve specific objectives."<sup>58</sup> The stated objective was to provide the United States with intelligence favorable to Korea, and:

(a) In our diplomacy toward the United States, the most effective approach is to utilize this type of intelligence, that is, offered intelligence.

(b) By providing the United States with appropriate intelligence advantageous to Korea, we may effect [sic] them to make judgments favorable to Korea.<sup>59</sup>

In addition to influencing U.S. judgments, the plan envisioned acquiring the capacity to anticipate future U.S. policy:

2. Sensing the United States policymakers' view before policy is formulated.

(a) As explained above, we will be able to approach high officials of the Central Intelligence Agency and Mr. Kissinger by giving our favorable information about Korea in such a way that we will be able to assume a role of a bridge between the two governments.

(b) Through this, the United States side would naturally approach us to sound out feasibility of their policies toward Korea before the policies are firmly formulated.

(c) When this happens, we will be able to obtain United States plans in advance and have a chance to evaluate such plans and take appropriate measures.<sup>60</sup>

In the 1974 document entitled "The United States Congressional Delegation's Visit to Korea," there was extensive analysis of the benefits reaped from past cultivation of Congressmen. The docu-

<sup>54</sup> House Ethics 2, p. 1015.

<sup>57</sup> See also "Part C-IV: Economic Relations," p. 241.

<sup>58</sup> House Ethics 2, p. 1017.

<sup>59</sup> Ibid.

<sup>60</sup> Ibid., p. 1018.

ment also reported on a meeting between Tongsun Park and former Vice President Agnew and included the comment:

While vice president, Mr. Agnew personally participated in the U.S. policy formulation toward Korea and attended the National Security Council meetings for four to five years, and, thus, he is knowledgeable of the Korean policy of the U.S. government, in particular of the State Department and the Central Intelligence Agency. He also knows other secret diplomatic issues.<sup>61</sup>

The suggestion was that Tongsun Park would be able to obtain classified information on diplomatic and national security issues by cultivating Mr. Agnew.

Tongsun Park did make business offers to Agnew and other former officials in the Nixon and Ford administrations. Park and Agnew entered into a business relationship in 1974; in 1975 Park hired former White House aide William Timmons as a public relations consultant; and in 1976 Park hired former Attorney General Richard Kleindienst as counsel for his company, Pacific Development, Inc. Park explained his friendships with Congressmen and his overtures to former high-ranking U.S. officials such as Agnew by stressing his personal business ambitions, which might be furthered by having influential friends and associates.<sup>62</sup>

There were numerous indications that personal ambition rather than patriotic desire lay behind many of Tongsun Park's plans and activities. It led him to distort and exaggerate the extent of his influence and ability to carry out missions for the ROK Government.<sup>63</sup> Nevertheless, a comparison of the activities and plans described in the documents found in Park's home with another KCIA document and with actual events showed repeated attempts by the KCIA—some successful—to carry out the stated objectives.

### *Annual KCIA plans*

The subcommittee's investigation revealed that by at least the mid-1970's the KCIA had annual written plans for operations in the United States. A copy of one such plan, that for 1976, was obtained by the subcommittee. Also examined was another plan for an earlier year. Both plans envisaged the recruitment of Americans—including Government officials, Members of Congress, journalists, scholars, religious leaders, businessmen, and leaders of citizens' organizations—for the purpose of swaying American public opinion and official policy in favor of the Park Government. Both plans also called for operations to counteract American and Korean critics of the ROK Government.

Kim Sang Keun testified that in 1975 Hwang Moon Young, who had just been transferred to Washington after serving as chief of the American section at KCIA headquarters, showed him part of the 1975 plan for operations in the United States. Since Kim's official assignment involved local Korean residents, Hwang allowed him to read that section of the plan. According to Kim, it resem-

<sup>61</sup> House Ethics 2, p. 1034.

<sup>62</sup> Tongsun Park's business and social contacts with U.S. intelligence officials also drew some attention, as well as some allegations of impropriety. The subcommittee ascertained that at one point in the mid-1960's one U.S. intelligence official considered Park to be "worthy of cultivation," but there were no indications of any formal association beyond the frequent informal social contacts. Similarly, there were allegations of impropriety regarding business relationships between Park and former U.S. intelligence officials. The subcommittee was not able to discover any evidence indicating that such contacts involved the agency for whom the officials had worked.

<sup>63</sup> See, for example, testimony of Jay Shin Ryu, House Ethics 1, p. 199.

bled the corresponding section of the 1976 plan which the subcommittee showed him.<sup>64</sup>

### *1976 KCIA Plan for Operations in the United States*

In September 1977, Sohn Ho Young, KCIA station chief in the New York Consulate, resigned and came under the protective custody of the U.S. Government. Testifying before the subcommittee, Sohn authenticated the written "1976 Plan for Operations in the United States" which had been shown to him at the beginning of 1976 by Kim Yung Hwan, the KCIA station chief in Washington.<sup>65</sup> Notations on the plan indicated that it had been reported to the KCIA director and deputy director in December 1975. Sohn said that it was probably drafted in Seoul in mid- to late 1975, probably on the basis of information supplied by Kim Yung Hwan. There were also many similarities between the 1976 plan and the documents found in Tongsun Park's home, particularly the "Plans for Korea's Foreign Policy Toward the United States."

The subcommittee's investigation left no doubt that this was an authentic KCIA plan. Of all the KCIA documents reviewed by the subcommittee, the 1976 plan was the most detailed and comprehensive exposition of KCIA objectives in the United States. It was divided into three main sections, with subsections devoted to operations aimed at the executive branch, Congress, media, academia, religious circles, and the Korean-American community, as well as at North Korean activities. Sixty-five individuals and organizations were specifically named as targets of influence.

The section on operations in Congress referred to a separate plan on contributions to congressional campaigns. The 1976 plan also referred to prior operations: "During 1975 we firmed up the basis of cooperation with the policy research committee of the Republican Party. (2 representatives and 13 aides visited Korea.)"<sup>66</sup> The Republican Party does not have a committee named the "policy research committee"; however, the Korean language has no articles, definite or indefinite, and makes no distinction between proper nouns and common nouns, thus making it impossible linguistically to determine from the original Korean document whether "policy research committee" was a name or a descriptive common noun. The following facts seemed to indicate that the reference was to the Republican Study Committee. In 1975, Ed Feulner, a congressional aide who was staff director for the Republican Study Committee, was introduced to KCIA station chief Kim Yung Hwan by Neil Salonen and Dan Fefferman of the Freedom Leadership Foundation (FLF). In late 1975 Feulner accompanied a Member of Congress and six congressional aides to Korea. Kim Yung Hwan had offered to pay for the trip, but Feulner refused, and it was financed by the Korean-U.S. Economic Council.<sup>67</sup> While in Korea, the congressional aides were often escorted by Lee Young In, identified as a member of the Foreign Ministry. In reality, he

<sup>64</sup> KI-5, pp. 62-63.

<sup>65</sup> KI-3, p. 10.

<sup>66</sup> KI-5, p. 120; also Appendix C-85.

<sup>67</sup> The Korea-U.S. Economic Council in Seoul is a private organization of Korean and American businessmen for promoting better U.S.-ROK economic relations. See also "Moon Organization" in "Part C-V: Educational, Informational, and Cultural Activities," pp. 319-321; 343-346; 369, for more on FLF.

was head of the KCIA's American section and would have been involved in drafting the 1976 plan.<sup>68</sup>

The 1976 plan also looked to "Invitation Diplomacy" as a means of influencing U.S. public opinion and foreign policy, with specific persons targeted. Many entries in the plan were accompanied by the amounts of anticipated expenses such as round-trip air fare to Korea.

Some of the planned activities were questionable or illegal: contributing to Congressional campaigns (illegal under the Federal Election Campaign Act); using unregistered agents for covert operations (illegal under the Foreign Agents Registration Act); implantation of an "intelligence network" in the White House; and "infiltration" of the Joint Chiefs of Staff's Office of Policy Planning:

Collect U.S. Far Eastern Military Strategy by infiltration of the Joint Chiefs' of Staff Office of Policy Planning<sup>69</sup>

This part of the 1976 plan suggested that the KCIA planned to obtain classified information about U.S. military strategy. The subcommittee's investigation uncovered no evidence from which to conclude that U.S. military secrets were compromised, or that actual attempts were made by Korean agents to obtain classified information. Kim Sang Keun said that so far as he knew, KCIA officers gathered information about U.S. military policies from public and official sources. Kim concluded:

I don't think there was any sinister plot to get unpublished information from the offices of the Defense Department.<sup>70</sup>

However, Kim did not have responsibility for handling defense or military matters, and the subcommittee was unable to interview KCIA officers who had worked in those areas.

The subcommittee was aware that such words as "manipulate," "co-opt," and other terms used in the 1976 plan did not always connote illegal or improper activities. Sohn testified, for example, that "neutralize," as used in the plan, meant "bringing radical opinion into a more modified, moderate stance";<sup>71</sup> "manipulation" meant "causing somebody to follow one's will";<sup>72</sup> and "co-opt" meant "inducing radical opinions or views to become more moderate views."<sup>73</sup>

In the section dealing with the U.S. intelligence community the 1976 plan suggested encouraging pro-ROK policies "by supplying materials concerning ROK and the Northern Puppets"<sup>74</sup>—a concept similar to that of "offered intelligence" mentioned in the 1970 document.

A central theme in the 1976 plan was to prevent and counter North Korean activities directed at the United States. Some of the objectives—such as monitoring North Korean agents, liaison with U.S. agencies, and countering North Korean propaganda—would not be a threat to U.S. interests or the integrity of U.S. institutions, if carried out lawfully. However, even though the desire of

<sup>68</sup> Lee is also mentioned on p. 113 of this section as being one of two former KCIA officials who resigned in the United States in September 1977.

<sup>69</sup> KI-3, p. 125; also appendix C-85.

<sup>70</sup> KI-5, p. 73.

<sup>71</sup> KI-3, p. 17.

<sup>72</sup> KI-3, p. 18.

<sup>73</sup> KI-3, p. 18.

<sup>74</sup> KI-3, p. 125; also appendix C-85.

the KCIA to prevent or counter North Korean activity is understandable, implementation of some of its plans would constitute an intrusion into the jurisdiction of Government agencies in this country and would violate U.S. sovereignty. For example, to the extent that carrying out the section called "Early detection and frustration of U.S. Congressmen's contact with the Northern Puppets" would involve preventing contact between representatives of the United States and North Korea, it would deny the U.S. Government its legitimate prerogatives in communicating with a foreign government.

In several places in the 1976 plan the terms "pro-North Korean" and "anti-Government" seemed to be used interchangeably. This equating of dissent with communism was often found in the KCIA's approach to Korean residents in the United States. Although, as noted earlier, there was little evidence of North Korean infiltration of the Korean-American community, the 1976 plan treated the Korean community in the United States as if it were an adversary. Undercover, or "black" (i.e., covertly controlled) agents were to be recruited, a "black" newspaper published, churches infiltrated, and covert operations directed toward Korean resident media and academic circles. One section encouraged activities "causing mutual alienation and prompting infighting between the anti-government people and the pro-North people."<sup>75</sup> South Korea's understandable preoccupation with North Korea's designs on the Korean Peninsula no doubt accounted for some of these plans. But the subcommittee found a pattern showing that the most significant motive behind KCIA activities involving the Korean community in the United States was to thwart opposition to Park Chung Hee's government, whether Communist-inspired or not.

As revealed in its 1976 plan, KCIA intelligence gathering in the United States was to be closely allied to its other goals of influencing U.S. public opinion and policy toward Korea and controlling dissent within the Korean community. Besides monitoring the North Korean U.N. Observer Mission, the KCIA called for infiltrating Congress and key executive branch agencies to get information on U.S. policy. The KCIA also sought to maintain various fronts in the Korean community.

### *Implementation of the 1976 plan*

Sohn Ho Young testified that he did not know to what extent the KCIA carried out the 1976 plan, since he was stationed in Houston until the end of 1976.<sup>76</sup> Sohn offered the opinion that much of the plan was exaggerated for bureaucratic reasons and that much of it was probably never carried out:

\* \* \* I have to agree that much of the plan may not have been carried out. When the person who made this report went to Korea, he tried to give a picture of his activities here based on various things he had thought about, but I don't know if they were carried out or not. A person who has been stationed here, when he goes back, may insert the names of people in a report because he knows the names even if he had not met them. He may exaggerate his activities. It goes without saying that he may to some degree report things without a basis. I think that this can be

<sup>75</sup> KI-3, p. 135; also appendix C-85.

<sup>76</sup> The Houston post was abolished when Sohn left, as part of an overall reduction of KCIA personnel in the United States in reaction to the scandal.

regarded as being a situation in which there is a possibility that a great deal of this is exaggerated.<sup>77</sup>

Kim Sang Keun likewise could not say whether or not the plan was carried out, and he agreed with Sohn's assessment that the plan contained exaggerations and probably was drafted to fulfill bureaucratic requirements.<sup>78</sup>

The subcommittee found evidence to support these opinions that parts of the 1976 plan were exaggerated so as to impress KCIA officials in Seoul. Investigation also showed that to a considerable extent operations planned for 1976 had already been attempted in prior years. Their inclusion again in the 1976 plan might have been to impress superiors with the extensive activities contemplated. As discussed elsewhere, exaggeration seemed to have been a characteristic of virtually every Korean influence activity in the United States, as rivals vied for recognition in Seoul. For example, although Tongsun Park had succeeded in compromising some U.S. officials, he misrepresented the degree to which he was influential in Washington.

Similarly, the 1976 plan listed projects that in all likelihood were never seriously considered to be feasible and contained numerous references to what were actually prior contacts with persons and organizations in the United States.

Sohn further testified that by the end of 1976, when he began his assignment in New York, adverse publicity concerning Korean lobbying and influence activities had caused the KCIA to adopt a policy of "low profile" for its agents in the United States:

\* \* \* When this plan was drafted and organized, already the publicity on Tongsun Park was at its height and we were under informal instructions to maintain a low profile in this country and therefore I don't know really; perhaps part of this plan may have been carried out, but my common sense tells me that this was not really carried out.<sup>79</sup>

U.S. executive branch reports confirmed Sohn's testimony that the KCIA issued instructions to its agents in the United States to maintain a low profile as publicity began to increase in late 1976. This policy of caution would have led to the cancellation of many of the projects described in the plan.

Nevertheless, the subcommittee's investigation revealed that the KCIA did attempt—with some success—to carry out operations identical or similar to those described in the 1976 plan. The 1976 plan provided the subcommittee with an insight into KCIA priorities and operating methods in the United States and confirmed much of the information received by the subcommittee from other sources.

Of the 65 persons and organizations mentioned as targets for influence in the 1976 plan,<sup>80</sup> 36 responded to subcommittee inquiries. Of these, 28 had been contacted between 1972 and 1976 in a manner consistent with the 1976 plan. Many received invitations to visit Korea, usually extended by either non-KCIA officials or civilians. This was in keeping with the KCIA procedures described by Lee Jai Hyon and others and as revealed in one of the documents

<sup>77</sup> KI-3, p. 27.

<sup>78</sup> KI-5, pp. 73-74.

<sup>79</sup> KI-3, p. 22.

<sup>80</sup> This number is exclusive of the congressional section, which was referred to the House and Senate ethics committees.

found in Tongsun Park's house. A number of persons interviewed had been contacted prior to 1976, but not in 1976. This was logical given the fact that the 1976 plan followed earlier plans and reflected ongoing relationships, completed operations and contacts.

Many of the individual actions pursuant to the plan appeared innocuous at the time and only assumed importance when revealed as part of a broader pattern of KCIA activity. For example, in late 1975, Kim Yung Hwan had asked Charles Kim<sup>81</sup> if he knew anyone who worked at the National Security Council. Charles Kim answered that he knew Sven Kramer and agreed to set up a meeting between Kramer and Kim Yung Hwan. Kramer's name subsequently appeared in the 1976 plan under the heading "Implantation of an Intelligence Network in the White House."<sup>82</sup> Also targeted under this section was President Ford's press secretary, Ron Nessen. (In 1974, Nessen, whose wife is of Korean descent, learned through U.S. intelligence channels that he was a target for cultivation by the KCIA.)<sup>83</sup> Another target of the plan was Alan Krause, who worked in the State Department's Intelligence and Research Bureau; he reported a number of approaches by Koreans which he interpreted as attempts to recruit him. Several high-ranking U.S. military officials also received what appeared to be unremarkable visits or overtures from Koreans in 1975 or 1976; these appeared to be more significant in light of the objective stated in the plan of "infiltration of the Joint Chiefs of Staff" to collect U.S. Far Eastern military strategy.<sup>84</sup> While there was no indication that Kramer, Krause, Nessen, or the military officers had in any way been compromised, the quoted passage of the 1976 plan was deemed by the Congressional Research Service to be the most significant portion of the plan, indicating a possible intention to "steal state secrets." The subcommittee found no evidence that the KCIA had indeed attempted to steal classified U.S. Government information, but nevertheless agreed with the Congressional Research Service that the possibility was cause for concern.<sup>85</sup>

Written evidence of KCIA plans for influence activities in the United States was made available by a number of sources. The repetition of themes and even specific details, together with similarities in format and style, supported the conclusion that all—including the Tongsun Park documents—were prepared by or at least with the cooperation of KCIA officials. Moreover, the consistent mention of certain activities in these documents, such as contributions to congressional campaigns, strongly indicated considered Korean Government policy, rather than simply the exaggerations of a Tongsun Park or the bureaucratic tactics of an individual KCIA officer.

#### ADDITIONAL FACTORS AFFECTING KCIA INFLUENCE ACTIVITIES

The KCIA's persistence in planning and carrying out influence activities in the United States can be partly explained by the actions of U.S. officials and institutions. The success of apparent

<sup>81</sup> At that time, Charles Kim was involved in opening the Diplomat National Bank. See "Moon Organization" in "Part C-V: Educational, Informational, and Cultural Activities," pp. 376-387.

<sup>82</sup> KI-3, p. 124; also appendix C-85.

<sup>83</sup> Nessen, Ron, "It Sure Looks Different From the Inside" (Chicago; Playboy, 1978), p. 45.

<sup>84</sup> KI-3, p. 125; also appendix C-85.

<sup>85</sup> See appendix C-84.

lobbying efforts by other nations using similar techniques, the direct encouragement by U.S. officials, and the absence of any serious effort by the executive branch to stop them, all encouraged the Korean Government—including the KCIA—to believe that questionable and even illegal activities in the United States would be both tolerated by the U.S. Government and successful in achieving ROK Government objectives.<sup>86</sup>

In the course of this investigation, the subcommittee found evidence that the Korean Government hoped to emulate the perceived success of lobbying groups for other nations. Former KCIA Director Kim Hyung Wook testified that he became interested in the idea of using Tongsun Park and the George Town Club partly because it resembled the successful “China Lobby” of Anna Chennault and others on behalf of the Republic of China.<sup>87</sup>

Written documents also referred to lobbying and influence efforts by other nations. The 1976 KCIA plan contained a reference to the “Utilization of Jewish lobbyists.”<sup>88</sup> In one of the documents found in Tongsun Park’s home is the following passage:

#### VI. RAISING THE FUNDS FOR DIPLOMACY TOWARD UNITED STATES

A. While many developed nations spent some fifteen to twenty million dollars annually and Israel had been engaged in aggressive activities toward the United States by mobilizing the formidable influence of her American residents, Korea was able to establish a second force within the United States Congress with some one million-dollar funds.<sup>89</sup>

The perception that lobbyists from other nations were successfully using money and influence in various ways to affect U.S. foreign policy could only have been reinforced by the direct encouragement for lobbying given the Koreans by some U.S. officials of both the executive and the legislative branches. As noted in the section of this report entitled “Executive Branch Awareness of Questionable Korean Activities,” executive branch officials stressed to the Koreans the importance of Congress in U.S. Government decisions affecting Korean security and aid.<sup>90</sup>

In testifying before the House Committee on Standards of Official Conduct, former Congressman Richard Hanna said he had advised Korean Government officials on the realities of the American political system: the executive branch did not exercise exclusive control over U.S. policy and a change of Presidents did not necessarily mean a change in congressional outlook.<sup>91</sup> He as well as Cornelius Gallagher and other Congressmen suggested to ROK Government officials, including President Park, that they develop more contacts in Congress, following the example of other U.S. allies whose lobbying had proved effective. During the early 1970’s Congressmen urged President Park to use Tongsun Park for influencing Congress. Two Congressmen urged President Park to name Tongsun Park as chief Korean sales agent for Public Law 480 rice sales in which they stood to profit personally. As revealed in the

<sup>86</sup> The reaction of executive branch agencies to reports of Korean influence activities is discussed in detail in “Part C-III: Executive Branch Awareness of Questionable Korean Activities.”

<sup>87</sup> KI-1, p. 22.

<sup>88</sup> KI-3, p. 121; also appendix C-85.

<sup>89</sup> House Ethics 2, p. 998.

<sup>90</sup> See pp. 122-124.

<sup>91</sup> House Ethics 2, pp. 235-236.

House ethics committee hearings, a number of Congressmen sent letters to Park Chung Hee extolling Tongsun Park's good work in Congress.

#### KCIA REACTION TO THE KOREAN SCANDAL/CONCLUSION

In the aftermath of the October 1976 revelations, Yang Doo Won, KCIA Deputy Director for Security who had been supervising operations in the United States, was discharged, and President Park agreed to the recall—recommended by some aides—of most KCIA officials in the United States, including Kim Yung Hwan and Kim Sang Keun. The Government also decided to recall Ambassador Hahm Pyong Choon.

On November 23, 1976, while preparing to return to Korea, Kim Sang Keun read a story in the New York Times describing the Hancho Kim operation. Kim immediately decided to defect to the United States. It is unusual for an official to seek protection from a government allied with his own; this was only the second time that a Korean official had done so. From the KCIA's point of view, this defection was far more serious than that of Lee Jai Hyon in 1973, because of its potential effect on Agency morale and because of the information that Kim had. As a result of Kim's action, it was reported that his superior, Kim Yung Hwan, was considering the same move. However, headquarters sent a high-level emissary to convince him to return, which he did.<sup>92</sup>

In early December 1976, KCIA Director Shin Jik Soo was replaced. The number of KCIA personnel in the United States was drastically reduced and they were instructed to confine their activities to collecting information overtly or through contacts with U.S. officials, and to refrain from any activity that might be considered coercion, manipulation, or attempts to influence. Sohn Ho Young, transferred from Houston to New York in this reorganization, testified that he was instructed to keep a low profile at his new station and that he did so. Subcommittee interviews with Korean residents in the New York area confirmed this, and reports from Korean residents throughout the United States indicated a considerable decrease in the level of KCIA activity.

In June 1977, former KCIA Director Kim Hyung Wook was quoted extensively in a New York Times article which described in detail KCIA influence operations in the United States and revealed the names of "agents" who had conducted them.<sup>93</sup> At that time Kim was scheduled to testify before this subcommittee. The Korean Government, which had been making approaches to Kim for some time, stepped up its campaign to have him return to Korea, go to a third country, delay testifying, or, at least, not to say anything damaging to President Park in his testimony. Despite the new low-profile instructions, this effort was largely conducted through the KCIA, with Sohn Ho Young running the operation in New York under detailed instructions from headquarters.<sup>94</sup> When it failed, Sohn was recalled to Seoul on August 23. Disillusioned by the Government's actions and apparent fear of what Kim might reveal—including scandals involving high officials—and fearing

<sup>92</sup> The New York Times, Dec. 5, 1976.

<sup>93</sup> See KI-3, appendix 2, p. 139.

<sup>94</sup> KI-3, appendix 6, pp. 190-205.

that he would be punished for knowing too much, Sohn ultimately defected. Shortly after he had been recalled, Lee Young In, station chief at the Republic of Korea U.N. Mission for less than a year, was also recalled because of alleged unauthorized contacts with Kim Hyung Wook. He apparently feared that the early recall meant trouble and let it be known that he did not wish to return.<sup>95</sup>

Concerned about morale among overseas personnel in the wake of the reorganization and Kim Hyung Wook's testimony, headquarters sent a mission to Europe to assess the situation. The delegation attempted to assure officers that former connections with Kim Hyung Wook would not be held against them and that, if they were recalled to Korea, they should go without fear of punishment. The delegation found morale bad and thought defections likely. While the mission was in Europe, Sohn defected on September 16, and Lee, citing the need to care for a sick child, resigned and stated his intention to remain in the United States. To be sure that Lee did not follow in Sohn's footsteps and go to U.S. authorities, the KCIA station chief in Washington assured Lee that they understood his situation and would help him adjust his status in the United States.

The subcommittee received no subsequent information on the morale of KCIA personnel or on the current instructions being sent to KCIA officials in the United States. By 1977, the KCIA in the United States appeared to be trying to contain the burgeoning scandal. Reports from Korean residents indicated that the KCIA was maintaining a low posture and that blatant activities such as harassment were rare. On the other hand, the number of invitations to Korean-Americans to visit Korea greatly increased. Reports indicated that many new pro-Korean Government groups—veterans, youth, professionals, et cetera—were springing up in the Korean-American community. Many members of the Korean-American community believed that these activities were being organized and supported by the Republic of Korea Government and the KCIA as a less obvious, more sophisticated means to influence Korean and American opinion. The subcommittee found no indications that the "low profile" represented anything but a tactical reaction to events, which could be reversed in the absence of pressure from U.S. authorities.<sup>96</sup>

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<sup>95</sup> Subcommittee staff interviews.

<sup>96</sup> Recommendations for this section are incorporated with those for "Executive Branch Awareness of Questionable Korean Activities," p. 157.

### III. EXECUTIVE BRANCH AWARENESS OF QUESTIONABLE KOREAN ACTIVITIES

A key issue addressed by the subcommittee was the extent to which the executive branch was aware of questionable Korean activities in the United States. The examination of this issue begins with a look at the responsibilities of various segments of the executive branch.

The agencies having primary responsibility to handle the issues that arose from the various ROK Government plans to influence and manipulate U.S. policy were the Department of State, the Central Intelligence Agency (CIA), the Department of Justice, the Federal Bureau of Investigation (FBI), and the Defense Department's National Security Agency (NSA).

Discussed briefly below is U.S. policy regarding the conduct of representatives of foreign governments in the United States, and the diplomatic, legal, and administrative remedies available to these agencies in dealing with the problems created by questionable conduct on the part of the Korean Government.<sup>1</sup>

#### EXECUTIVE BRANCH RESPONSIBILITIES

In 1965, the Senate Foreign Relations Committee held hearings on the ratification of the Vienna Convention on Diplomatic Relations.<sup>2</sup> During these hearings, State Department representatives described U.S. policy regarding direct foreign lobbying of Congress, the U.S. media, and the U.S. business community. The established rule of diplomatic conduct was stated to be that diplomatic missions of foreign governments in the United States should conduct all business through the State Department. State has advised all missions that the criterion for maintaining diplomatic accreditation in the United States is that every diplomat must engage full-time in official diplomatic duties. Any flagrant breach of normal diplomatic practice is dealt with by the State Department's representation of disapproval to the foreign mission. State may also delete a diplomat's name from the diplomatic list and ask him to leave the country. The use of press attachés and information officers and contact with U.S. media are proper diplomatic functions; however, particular statements or political propaganda may be objectionable.

A representation of disapproval, however, is not intended to be applied in the case of nondiplomatic representatives of a foreign government. Such persons are subject to registration requirements provided for under the Foreign Agents Registration Act (FARA).<sup>3</sup> The purpose of FARA is to protect the national defense, the internal security, and the foreign relations of the United States by requiring public disclosure of the relations and activities of persons acting under the direction and control of a foreign government. According to its provisions, foreign agents are to register with and report their activities to the Justice Department. There are specific

<sup>1</sup> See also "Part E: Activities of Influence by Foreign Governments," p. 427.

<sup>2</sup> Hearings before the Senate Foreign Relations Committee, 1965, as quoted in "Activities of 'Friendly' Foreign Intelligence Services in the United States: a Case Study," Report of the Senate Select Committee on Intelligence, U. S. Senate, June 1978, (hereinafter referred to as "Senate Intelligence Report"), p. 7.

<sup>3</sup> 22 U.S.C. 611-618.

filing and labeling requirements for the dissemination of political propaganda.

In addition to FARA, another pertinent law administered by the Justice Department, the Espionage Registration Act, states in part:

\* \* \* [E]very person who has knowledge of, or received instruction or assignment in, the espionage, counterespionage, or sabotage service or tactics of a government of a foreign country or of a foreign political party, shall register with the Attorney General.\* \* \*

Finally, the Logan Act, also administered by Justice, prohibits any U.S. citizen who does not have specific authorization from corresponding with a foreign government or its agents with the intent to influence the relations of the foreign government vis-a-vis the United States.<sup>5</sup> The Logan Act, as well as the espionage statutes mentioned above, carry criminal penalties.

The investigation of all matters involving espionage, sabotage, and subversion within the United States is the responsibility of the FBI under its internal security and counterintelligence authority. Recognizing that the presence of intelligence officers of "friendly" or allied nations in the United States can result in problems, in 1954 the FBI requested the State Department to inform it of any intelligence officer acting outside his authorized activities. In general, State makes no inquiries as to the duties of foreign diplomatic officials, although it is aware that some are intelligence officers. When intelligence officers are performing their generally-accepted liaison and information-gathering functions, they usually become known to executive branch agencies. However, the presence in the United States of those who are sent in an operational capacity; that is, to be engaged in covert offensive activities, may go undetected.

According to a Senate report, the National Security Agency (NSA), which is responsible to the Secretary of Defense, provides intelligence information gathered by technical means to other intelligence agencies. Specifically, part of its mission is to provide U.S. policymakers with intelligence information gathered from the interception of foreign communications. The NSA does not have any statutory authority to perform this function but is operating under a top secret National Security Council directive which authorizes the Director of Central Intelligence to order NSA to intercept such foreign communications.<sup>6</sup>

Under the National Security Act of 1947, the CIA was charged with coordinating the foreign intelligence activities of the United States abroad, under the direction of the President's National Security Council, by correlating, evaluating, and disseminating foreign intelligence affecting the national security. The act specifically provides that the CIA has no police, subpoena, law enforcement, or internal security functions.

In the area of counterintelligence,<sup>7</sup> the distinction between the internal security functions of the FBI and the foreign intelligence

\* 50 U.S.C. 851-857.

\* 18 U.S.C. 953.

<sup>6</sup> Report of the Senate Select Committee to Study Governmental Operations, Intelligence Activities and the Rights of Americans, Book III, Apr. 22, 1976, pp. 736-737.

<sup>7</sup> According to Executive Order 12036, Jan. 24, 1978, counterintelligence is defined as "information gathered and activities conducted to protect against espionage and other clandestine intelligence activities, sabotage, international terrorist activities or assassinations conducted [in the U.S.] for or on behalf of foreign powers, organizations, or persons."

functions of the CIA has sometimes been unclear. Close coordination has been essential because of the need to transfer responsibility for counterintelligence matters. To avoid gaps where counterintelligence matters are concerned and to insure cooperation, a formal agreement defining the responsibilities of each was drawn up by the two agencies in February 1966.<sup>8</sup> Despite the formal agreement, much liaison was still conducted through informal contacts. However, from February 1970 until November 1972, all informal routine liaison contacts between the CIA and the FBI were suspended by FBI Director J. Edgar Hoover. During that period, all contacts had to be in writing and conducted at relatively high levels.

#### EXECUTIVE BRANCH REPORTING

As part of its mandate, the subcommittee was directed to study the intelligence relationships between the United States and the Republic of Korea. In exercising this responsibility, the subcommittee sought to understand how the intelligence communities of each country functioned regarding matters relating to the other. Much of the information collected by the subcommittee regarding U.S. Government agencies could not be declassified. The subcommittee had no oversight responsibilities for the U.S. intelligence community and therefore did not consider questions relating to the propriety of the actions of U.S. intelligence agencies unless they were thought to have a direct bearing on the subcommittee's mandate.

The U.S. intelligence community regards itself as an instrument of U.S. Government policy; it gathers information in response to the political and military policies and concerns enunciated by the President, the National Security Council, and the other policymaking departments of the executive branch.

As indicated in other sections of this report, the United States has been concerned for many years with events on the Korean Peninsula.<sup>9</sup> Information concerning improper South Korean activities came to the attention of the U.S. intelligence community during the course of its normal duties, and that information was disseminated to policymakers in Washington. (The response in Washington to that information is analyzed below.)

The dissemination in Washington of routine reporting is quite wide. In testifying before the subcommittee, Donald Ranard, former director of the Office of Korean Affairs at the State Department, said:

When highly classified reports arrived on my desk from the Embassy, I knew then that they were also on desks in the National Security Council, and I knew also that they were on desks above me [in the State Department]. \* \* \* [O]thers were being alerted almost at the same time I was.<sup>10</sup>

Reporting on matters deemed particularly sensitive has a more limited distribution, going only to several key officials. Some of the reporting on the activities of Tongsun Park and other questionable Korean activities was subject to this type of limited dissemination.

<sup>8</sup> Report to the President by the Commission on CIA Activities, June 1975.

<sup>9</sup> See "Part B: Review of Korean-American Relations," and "Part C-I: Security and Political Affairs."

<sup>10</sup> "Investigation of Korean-American Relations," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 95th Cong., 2d sess., Part 4, Mar. 15, 16, 21, 22; Apr. 11, 20; and June 20, 1978 (hereinafter referred to as "KI-4"), p. 91.

One of the problems of the so-called "Korean scandal," in hindsight, was that the collection of information regarding Korean efforts to influence U.S. policy and officials was never considered a major policy concern. Officials in Washington received reports on questionable Korean activities, but few of them regarded such activities as serious enough to warrant pulling all the information together or to encourage the U.S. intelligence community to expand its reporting on these activities. It should also be noted that information about actions taken by the ROK Government to influence U.S. officials and policy was not collected as a matter of course.

One of the problems contributing to the lack of response from Washington may have been the distinction whereby certain types of information were disseminated to one agency of the U.S. Government but not to others. Information regarding counterintelligence activities in the United States is sent to the FBI and very often is not disseminated to other policymaking departments and agencies. Early reports concerning questionable influence activities, including Tongsun Park's connections with various Congressmen, were disseminated to other departments and agencies, but not to the FBI; information concerning the control of congressional aides by the KCIA was sent to the FBI but not to the State Department. It might also be noted at this point that segments of the intelligence community had no formal avenue, other than the FBI, for sending classified information to the Attorney General and the Justice Department.

Although actions in Washington may not have been sufficient, there was a great deal of concern among the U.S. officials at the Embassy in Seoul about the questionable Korean Government activities, and some discussions were held on the possibility of "neutralizing" them. These officials from time to time remonstrated privately with their Korean contacts, pointing out the deleterious effects such activities could have on Korean-American relations. However, despite the private warnings—to which the Korean officials politely agreed—the activities did continue and, as has been shown, did have a deleterious effect on Korean-American relations.

Based on declassified U.S. Government documents, public testimony, subcommittee interviews with both former and current U.S. officials, and recollections of private individuals, this section traces the increasing awareness on the part of the executive branch of questionable Korean activities and examines how the various agencies of the executive branch interacted with one another to exercise their authority and responsibility as the information arrived in Washington.

#### EARLY INFLUENCE EFFORTS

During the period from about 1963 to 1969, various factions associated with the Government of the Republic of Korea, including official and nonofficial organizations and individuals, were involved in isolated activities aimed at improving Korea's image in the United States. Early U.S. Government reports on these activities implied that the Korean Government was involved in and employing questionable practices to achieve this goal. As early as

1962, executive branch officials were aware of the KCIA presence in cities throughout the United States.

One ROK official identified was Kim Kyong Eup, who was assigned to Washington to evaluate the U.S. Government's reactions to the Park Chung Hee regime and to monitor the activities of ROK Ambassador Chung Il Kwon.<sup>11</sup> In 1962 and 1963, KCIA attempts to gain the support of Korean residents in the Los Angeles area for the Park regime became known. Apparently no representations were made by the U.S. Government regarding this information.

A February 26, 1963 report<sup>12</sup> stated that KCIA founder and director Kim Jong Pil had organized the Unification Church (UC) of Sun Myung Moon for use as a political tool. A former U.S. official stationed in Korea told subcommittee staff that shortly after the 1961 coup, Kim Jong Pil had stated that he intended to "organize and utilize" the UC for Korean Government political purposes. According to a December 1964 report, the UC had formed a front organization known as the Korean Cultural and Freedom Foundation (KCFF) as "the first step toward organizing [the UC] in Washington."<sup>13</sup> Pak Bo Hi, former military attaché at the ROK Embassy in Washington, was to return to the United States to run it.<sup>14</sup>

During 1963-64, the Korean Government, under the aegis of a non-Governmental organization, was also formulating a proposal to set up and staff a structure in Korea to be used for anti-Communist activities. The Asian Peoples Anti-Communist League Freedom Center (APACL-FC) was established and from the beginning had full concurrence and financial support of the ROK Government. Some officials identified as supporters of the project were President Park, Prime Minister Choi Du Sun, and Kim Jong Pil.<sup>15</sup>

A plan was made to raise funds for the Freedom Center in the United States. In the summer of 1963, Cho Dong Ha, representing both the APACL-FC and the Korean Government, came to Washington to arrange a fundraising campaign to be carried out by a U.S.-based, tax-exempt organization.<sup>16</sup> Shortly after Cho's arrival, Yang You Chan, a former ROK Government ambassador to the United States and subsequently a U.S. resident, recruited three prominent Washingtonians—a banker, a lawyer, and a retired Army officer—to be the original incorporators of the KCFF in Washington, D.C.<sup>17</sup> The stated purpose was to establish a tax-exempt foundation to promote mutual understanding, respect, and good will between the United States and Korea. Yang also got retired Adm. Arleigh Burke and other prominent Americans to serve on the board of directors. William Curtin, a retired U.S.

<sup>11</sup> Chung had been assigned to the United States under an earlier Korean administration; some factions surrounding President Park, including the group led by Kim Jong Pil to whom Kim Kyong Eup was a close aide, were suspicious of Chung.

<sup>12</sup> "Investigation of Korean-American Relations," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 95th Cong., 2d Sess., Supplement to Part 4, March 15, 16, 21, and 22, 1978 (hereinafter referred to as "KI-4, Supplement"), p. 458.

<sup>13</sup> KI-4, Supplement, p. 459.

<sup>14</sup> See the "Moon Organization," in "Part C-V: Educational, Informational, and Cultural Activities," pp. 323-325; 355-366.

<sup>15</sup> KI-4, Supplement, p. 147.

<sup>16</sup> A subsequent FBI investigation (see KI-4, Supplement, p. 171) established that Cho's stay in Washington was subsidized by Tongsun Park.

<sup>17</sup> KI-4, Supplement, pp. 56-60 and 72-78.

Army officer, was selected to serve as president of the foundation and charged with the day-to-day operations. In early 1964 Yang discussed future plans for the KCFF with Col. Pak Bo Hi, at the time still the military attaché at the ROK Embassy in Washington.

By March 1964, Yang, Curtin, and Pak proposed a fundraising campaign in the United States for the APACL Freedom Center, to be sponsored by the KCFF. In October 1964, Pak Bo Hi returned to Korea and, with Yang's assistance, obtained a discharge from the ROK Army. He returned to Washington in January 1965 and assumed responsibility as director and vice president of KCFF.<sup>18</sup>

In 1964, the activities of William Curtin and others in the proposed fundraising had come to the attention of the Bureau of Intelligence and Research of the State Department, which notified the Internal Security Division of the Justice Department. This in turn precipitated a comprehensive, long-term investigation by the FBI to determine if any of the principals were violating the FARA. State wanted to know if the KCFF and Curtin, among others, were registered as agents representing a foreign government. If not, were their fundraising activities such that they should register? The FBI investigation established the facts outlined above. In 1966, Justice concluded that FARA had not been violated because the fundraising never took place, and closed the case.<sup>19</sup>

There was no indication that U.S. Government agencies received any further information of possible influence activities until an August 10, 1966 report. It said that the KCIA's 7th Bureau had been given the task of working out a proposal for the "re-establishment" of Radio of Free Asia (ROFA).<sup>20</sup> ROFA was a project of the KCFF which planned to raise money in the United States to enable it to broadcast anti-Communist propaganda to North Korea from a station in South Korea. The operation was reported to be tightly controlled by the KCIA and to be the outcome of discussions among KCIA-Washington, KCIA Director Kim Hyung Wook, and Yang You Chan. The report concluded that the 7th Bureau was expected to discuss the matter with Yang.

The subcommittee established that in the late summer of 1966, Pak Bo Hi, Yang You Chan, and an American named Lawrence Mays arrived in Seoul to arrange with the ROK Government for ROFA to use the Korean Broadcasting Service facilities. Mays had recently been appointed international chairman of ROFA; at the same time Kim Kyong Eup, the former aide to Kim Jong Pil previously assigned to Washington, had been named operations director of ROFA.<sup>21</sup>

Mays had three conversations—on August 15, 16, and 17, 1966—with U.S. officials at the Embassy in Seoul. These were noted in Embassy reports to the State Department in Washington. The reports described concern on the part of U.S. officials regarding the character of the persons involved in ROFA, that the names of

<sup>18</sup> KI-4, Supplement, p. 87; See also the "Moon Organization" in "Part C-V: Educational, Informational, and Cultural Activities," pp. 323-325; 355-366.

<sup>19</sup> See KI-4, Supplement, p. 28, for the FBI's investigative report on this matter.

<sup>20</sup> Ibid., p. 461. The use of the word "re-establishment" probably refers to the fact that U.S. Government agencies had at one time considered setting up a Radio Free Asia similar to Radio Free Europe. While the idea was never fully implemented, some U.S. officials felt that the KCFF was attempting to establish a connection with the U.S. Government in the minds of prospective contributors by using the name Radio of Free Asia.

<sup>21</sup> KI-4, appendix 7, pp. 598-610.

prominent Americans were being used, and that the Korean Government might exercise editorial control over the broadcasts, even though ROFA was a privately funded U.S. organization.<sup>22</sup>

In several interviews and in a sworn statement to subcommittee staff,<sup>23</sup> Mays said that he met with Ambassador Winthrop Brown on two of these occasions. Brown stated that he believed that Kim Kyong Eup was a KCIA official and that Mays should get rid of him. Mays reported Brown's dissatisfaction to Yang and Pak; within a few hours Kim was replaced.

The subcommittee found no evidence that Brown's conversation was reported through regular State Department channels. Further, there were discrepancies between Mays' statement and the State Department memoranda,<sup>24</sup> particularly regarding who initiated the meetings; the participants; and the content of the discussions. It was clear, however, from KCFF minutes, that Kim, though just appointed operations director, was removed on August 15, 1966 by General Coulter, who had replaced Admiral Burke as chairman.<sup>25</sup> Coulter sent a letter to Seoul appointing a new operations director, Kim Dong Sung, a former ROK Minister of Information who had been an adviser to the KCIA.<sup>26</sup> Mays also told subcommittee staff that during his Korean visit, Pak Bo Hi took him to meet the director of the KCIA and that he and Pak had a clandestine meeting with Sun Myung Moon and a member of the ROK National Assembly whom Mays later identified from photographs as Kim Jong Pil.<sup>27</sup>

Upon his return to the United States, and pursuant to Ambassador Brown's request, Mays went to see Samuel Berger, the Deputy Assistant Secretary of State for East Asian and Pacific Affairs. The State memorandum of their conversation on September 7, 1966 revealed that Mays told Berger that after he met with Sun Myung Moon and the Korean National Assemblyman, it became clear that the KCFF's real goals were to sponsor fundraising projects in the United States to raise money for furthering the religious and political objectives of the Unification Church in Korea.<sup>28</sup>

Following the meeting, Mays called on retired Adm. Arleigh Burke, who had resigned the previous year because of his reservations concerning KCFF's operations and involvement in the APAFL-FC project. When Mays told him his concerns, Burke called William Sullivan, director of the FBI's Domestic Intelligence Division, and in Mays' presence repeated the story. Mays himself was never contacted by the FBI. The subcommittee tried to determine why the FBI failed to follow up, but Sullivan refused repeated requests for informal interviews.<sup>29</sup> FBI files provided in response to a subcommittee request did not contain any information on Mays' story, nor did staff interviews with Sullivan's subordinates reveal anything. ROFA and its principals continued to be of con-

<sup>22</sup> KI-4, Supplement, pp. 483-486.

<sup>23</sup> KI-4, appendix 7, p. 598.

<sup>24</sup> KI-4, Supplement, pp. 483-490.

<sup>25</sup> *Ibid.*, pp. 635 and 641; See also the "Moon Organization" in "Part C-V: Educational, Informational, and Cultural Activities," p. 357.

<sup>26</sup> KI-4, Supplement, p. 479.

<sup>27</sup> KI-4, appendix 7, pp. 626-628 and 634-635.

<sup>28</sup> KI-4, Supplement, p. 488.

<sup>29</sup> Compulsory process was not instituted. Sullivan was killed in a hunting accident in November 1977.

cern to State Department officials because of the fundraising in the United States, the alleged connection with the ROK Government, and ROFA's broadcasting policies. From 1966 through 1968, several U.S. agencies were reporting on ROFA's activities and relationship to the Korean Government.

By the end of 1969, several things had become clear from that reporting.<sup>30</sup> The program content of ROFA broadcasts was completely under the supervision and control of the ROK Government; the KCIA's 7th Bureau was very influential in ROFA activities, even to the extent of supplying some of the program content. The broadcasts clearly reflected Korean Government policy, and ROFA was not paying for the use of ROK Government facilities. Further, ROFA broadcast on frequencies that could not be received in North Korea. All this information indicated to U.S. officials that funds solicited in the United States were being misused. State's fear was that a scandal could arise that would taint those prominent Americans supporting the organization.

While the executive branch agencies were following the activities of ROFA, they also began to report on the activities of Tongsun Park. Most of this reporting was given the standard, routine dissemination to various other executive branch agencies and departments in Washington, including CIA headquarters, the National Security Council, the State Department, and the Defense Intelligence Agency of the Defense Department. Within State and Defense, the official receiving the report further disseminated it within his department. As indicated earlier, this routine distribution is thus quite wide.

In March 1968, it was reported that Korean Prime Minister Chung Il Kwon had requested that KCIA Director Kim Hyung Wook contact Tongsun Park in Washington and give him assistance. Kim ordered his station in Washington to do so. During the subcommittee's hearings in June 1977, Kim Hyung Wook testified to a similar set of events; however, he placed the time as 1966 and Tongsun Park as having been in Korea.<sup>31</sup> Chung Il Kwon had introduced him to Tongsun Park and said that Park was "not a bad guy" and Kim should treat him well. Shortly thereafter, according to Kim, Tongsun Park volunteered his services to the KCIA. While it is unclear what type of assistance the March 1968 reporting was referring to, it was clear that from this point on, Tongsun Park would deal directly with the KCIA and its director without going through the Prime Minister. By late fall of 1968, Tongsun Park's entry into the rice business and his close relationship with key Korean Government figures were known.

In December 1968, the U.S. Department of Agriculture (USDA), responsible for administering the Public Law 480 program,<sup>32</sup> made routine inquiries of the FBI, the CIA, and other executive branch agencies to determine if Tongsun Park had any connections with the Korean Government. Due to bureaucratic delays, USDA did not receive all the information until approximately April 1969. The

<sup>30</sup> XI-4, Supplement, pp. 461-466 and 476-500.

<sup>31</sup> "Investigation of Korean-American Relations," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 95th Cong., 1st sess., Part 1, June 22, 1977 (hereinafter referred to as "KI-1"), pp. 19-20.

<sup>32</sup> See "Part C-IV: Economic Relations," p. 162ff.

responses were all negative, and Tongsun Park became a sales agent for Public Law 480 rice sales to Korea.<sup>33</sup>

Throughout the first half of 1969, executive branch reporting continued to describe Tongsun Park's interests in U.S.-Korean commodity transactions. Additionally, it began to reveal Park's involvement with certain U.S. Congressmen. Tongsun Park was characterized as having used "unscrupulous techniques to bring Congressmen and Koreans together in Washington," probably a reference to Park's use of his George Town Club as a lobbying command center.<sup>34</sup>

During the early part of 1969, the Koreans were troubled by the new administration's policies regarding East Asia. There was increasing concern that financial and military aid might be cut. At hearings held by the subcommittee in March 1978, Marshall Green, Assistant Secretary of State for East Asian and Pacific Affairs from April 1969 through 1973, stated that in 1968, just prior to Nixon's taking office, he had met with the President-elect to discuss what the new policy toward East Asia would be. Early in the new administration, Green journeyed to East Asia to brief leaders, including Park Chung Hee, on Nixon's policies and to reassure them that the United States still had "vital interests in East Asia" and would continue to honor its defense commitments; nevertheless, the American public was beginning to question U.S. assistance in some regions and felt that other countries should assume a greater share of the responsibility for their security.<sup>35</sup> These points were enunciated by Nixon in July in a statement that became known as the "Nixon" or "Guam Doctrine".<sup>36</sup> Ambassador Green recalled that when he first presented these views to Park Chung Hee, the Korean leader had understood that the Nixon Doctrine would develop greater support on the part of Congress, the American people, and the press for administration policies.

Information available to the executive branch indicated that the Koreans immediately realized the implications of the Nixon Doctrine and the significant effect that congressional attitudes and U.S. public opinion would have on its application. For example, shortly after the enunciation of the Nixon Doctrine, a prominent Korean National Assembly member proposed to Park Chung Hee that the ROK invite U.S. Congressmen and journalists to Korea and that a special officer be assigned to the Korean Embassy in Washington to maintain liaison with the U.S. Congress.

Throughout the latter half of 1969, executive branch agencies' reports continued to describe Tongsun Park's increasing activities in both Houses of Congress. Reportedly, Park, with the assistance of a Senator and a Congressman, was arranging a reception for former KCIA Director Kim Hyung Wook during a planned visit to the United States. Tongsun Park's use of a Korean employee of Voice of America to tape favorable remarks about Korea made by Congressmen attending a party at the George Town Club and

<sup>33</sup> The CIA qualified its response by stating that it had no "derogatory" information on Park. See KI-4, appendix 4-F, p. 565.

<sup>34</sup> See appendix C-53, State Department document dated Feb. 5, 1969. U.S. executive branch agencies deleted the names of Members of Congress and congressional staff members from material provided the subcommittee, since that information was deemed relevant only to the investigations of the House and Senate Ethics Committees.

<sup>35</sup> KI-4, pp. 21-22.

<sup>36</sup> See "Part C-I: Security and Political Affairs," p. 59.

Park's alerting the Korean media to listen to the VOA broadcast was also made known. This presumably was not only a Korean propaganda tactic, but also a device to enhance Park's own image with ROK Government officials by demonstrating how influential he was with U.S. Congressmen.

By January 1970, U.S. officials in Washington had received information on a Korean national described as being close to Tongsun Park who was coming to the United States to contact as many Congressmen as possible with a proposal to increase U.S. rice sales to Korea.<sup>37</sup> Tongsun Park himself was reportedly working closely with a Senator and two Congressmen on this. It was also said that Prime Minister Chung Il Kwon had sent Tongsun Park to the United States to influence Congressmen regarding the pending \$50 million supplemental military assistance appropriation. While Park may have been in the "bad graces" of several ROK politicians, he still enjoyed the "good graces" of the Prime Minister. About a week after the receipt of this information, a senior U.S. official at the Embassy in Seoul wrote a memorandum to the record detailing a conversation he had had with Tongsun Park, who said he was involved in lobbying both for more Public Law 480 rice sales and increased military assistance.

U.S. officials in Korea provided Washington with a great deal of information on the factionalism among various high-level Korean Government figures. In March 1970, a USIA official noted that the ROK Ambassador to the United States, Kim Dong Jo, was competing with other Koreans—probably including Tongsun Park—to obtain additional military aid for Korea, apparently both for patriotism and for personal profit and prestige. Much of this lobbying followed the private announcement to President Park in March 1970 of proposed U.S. troop withdrawals. During his appearance before the subcommittee, Ambassador Green described the Korean Government reaction:

This caused a lot of anguish in Seoul, which was not entirely allayed by our assurances that we would seek additional funds for ROK force modernization. There were other assurances, many high-level consultations, but we could, of course, give no absolute guarantee that required modernization funds would be forthcoming.<sup>38</sup>

Elaborating, Green said that although the ROK Government was aware that troop withdrawal had been under consideration since 1963, the decision to proceed came as a shock. To allay Korean Government fears, U.S. officials reiterated that the U.S. Government would try to provide substantially higher military assistance for the fiscal years 1971 through 1975 and would increase economic assistance through the Public Law 480 program. The Koreans remained skeptical. As Ambassador Green explained:

Koreans are sufficiently knowledgeable about the ways of Washington to know that Congress is the one that votes the funds, and that no one can guarantee what Congress will do, so that was a difficult point for them to accept, and we of course had to tell them that we could make no guarantees. That was up to the Congress.<sup>39</sup>

Donald Ranard, former Director of the Office of Korean Affairs at the State Department, testified that the political consequences of

<sup>37</sup> At this time, approximately 80 percent of the moneys gained by the Korean Government from the sale of Public Law 480 grain was being used for defense expenditures. See also "Part C-IV: Economic Relations," pp. 207-214.

<sup>38</sup> KI-4, p. 22.

<sup>39</sup> KI-4, pp. 27-28.

the proposed troop reductions on internal Korean politics were significant. President Park was facing a difficult election in April 1971. His popularity was based largely on his administration's perceived "special relationship" with the United States. Park feared that his opponent, Kim Dae Jung, an active and articulate politician, would seize on troop reduction to demonstrate that no such relationship existed. Park also believed that Nixon was using troop reduction in Korea to solve his own political problems. In July 1970, the Korean Government sent a delegation of National Assemblymen to the United States to persuade U.S. officials and Congressmen to agree to a list of ROK demands prior to any negotiations on troop withdrawals.

However unwittingly, U.S. officials were steadily pointing the ROK Government in the direction of Congress. They discussed troop reduction as a foregone conclusion, while stating that Congress would decide on compensatory military modernization aid. At the time, certain factions centered around high-level Government officials and politicians already had agents of influence in place in Washington—best exemplified by Chung Il Kwon's and Kim Hyung Wook's sponsorship of Tongsun Park's activities.

#### ROK GOVERNMENT ATTEMPTS TO CONTROL INFLUENCE EFFORTS

The deep concern of the Korean Government over U.S. policy was apparent from executive branch reports describing several meetings held in the Blue House in the fall of 1970.<sup>40</sup> The purpose of the meetings was to discuss taking over control of the agents of influence of the various factions and coordinating and directing the activities in the most productive manner.

The first description of such a Blue House meeting was revealed in an early fall 1970 executive branch report. Chaired by President Park, the meeting involved a discussion of a proposal to organize a "civilian lobbying group" and was attended by high-level Blue House officials. The plan called for centralizing all ROK lobbying efforts in Washington under Tongsun Park. He would direct those Korean Government representatives in Washington already engaged in influence activities, such as Lee Sang Ho (also known as Yang Doo Won) of the KCIA, General Kang Young Hoon of the Research Institute on Korean Affairs, and Pak Bo Hi of the KCFF. The goal of lobbying efforts was to influence U.S. decisionmaking on troop reduction and modernization aid.

At this time Tongsun Park was regarded as a protege of Prime Minister Chung Il Kwon and former KCIA Director Kim Hyung Wook, both of whom had supported many of his activities. Park Chong Kyu was regarded as a longtime enemy of both Chung and Kim and apparently transferred this enmity to their protege. It became known that Tongsun Park was accused of having received over \$200,000 in rice commissions in 1969 while failing to contrib-

<sup>40</sup> These meetings came to be described by the press as "the Blue House meetings." On a CBS News Special ("Anatomy of a Scandal," broadcast Apr. 3, 1978), former Ambassador William Porter was asked if the United States had had listening devices in the Blue House. He replied, "I was told that it had stopped before my arrival . . . I gave a specific order that it was not to be renewed . . ." Director of Central Intelligence Admiral Turner was quoted in a Washington Post article of Aug. 10, 1977 ("Turner Denies U.S. Spying in South Korea's Blue House," p. A-12) as flatly rejecting press reports of electronic spying on the Korean Presidential residence: "There were no tapes and no bugs, and I'm speaking for the CIA, the NSA, or any other U.S. intelligence agency."

ute the standard 50 percent to the ruling Democratic Republican Party. Apparently due to the various objections, President Park tabled the plan and instructed Park Chong Kyu to prepare a proposal to be submitted at another meeting.

Subsequently more details became available to the executive branch—that the plan originally proposed was to be carried out under the aegis of a research organization to be controlled by Tongsun Park. The proposed budget was approximately a quarter of a million dollars.

The subcommittee, through independent interviews and examination of public documents, established that in 1970 Tongsun Park organized a research group named the Conference for the Development of Free Institutions (CDFI), which was incorporated in Washington, D.C. on September 23, 1970, within a few weeks of the first Blue House meeting. Its purpose, as stated in the incorporation papers, was to promote mutual understanding between the legislatures of Korea and the United States. However, the subcommittee had reason to believe that CDFI was one of the entities whose activities the Blue House had discussed coordinating and controlling. As early as March 13, 1970, several months prior to incorporation, Speaker of the House John F. McCormick circulated a "Dear Colleague" letter encouraging congressional endorsement of an organization called CDFI. The original endorsers numbered 36 Members of Congress and 11 others, including lawyers, academics, and congressional staffers. The subcommittee determined through interviews with some of the endorsers that Kim Kwang, an aide to Congressman Cornelius Gallagher and a relative of Tongsun Park, had assisted Park in obtaining these endorsements. The subcommittee was not able to establish that CDFI undertook any activities after September 1970.<sup>41</sup>

At a later Blue House meeting, the earlier plan was shelved. Park Chung Hee appointed a special study group to review all ROK lobbying efforts and to prepare an overall plan to coordinate them. The study group recommended the formation of an informal "foreign policy review board" which would insure Blue House control over the plans and activities of the various Korean organizations and also that such activities would be coordinated. The board was set up and it was determined that Korean lobbying efforts in the United States should have a lower profile and that the board itself would fulfill the function of directing and controlling these activities. It was reported that several high-ranking officials continued their already established unilateral activities.

In October and November 1970, at the same time that the Korean Government was formulating its plans for intensifying and coordinating influence activities in Washington, a congressional delegation visited several countries in Asia. One of the members of that group, Kim Kwang, had apparently been identified by the State Department as the Korean national close to Tongsun Park mentioned a year earlier as a Korean lobbyist. Kim was then working as an aide to Congressman Gallagher, who was slated to become chairman of the Subcommittee on Asian and Pacific Affairs. He had previously been on the staff of Congressman Hanna,

<sup>41</sup> On Sept. 11, 1972, CDFI's certificate of incorporation was revoked due to failure to file the required annual report. See appendixes C-55 and C-56, for incorporation papers.

who was involved in rice deals with Tongsun Park. Both Hanna and Gallagher were closely associated with Park.

At the time of the congressional visit in late 1970, the State Department in Washington received a series of cables from its Embassies in Australia, Japan, and Thailand expressing concern that a Korean national, Kim Kwang, traveling with the delegation was requesting classified briefings on Asian matters.<sup>42</sup> The various Embassies urgently requested State's guidance on dealing with him. State replied that the Embassies should show Kim the courtesies appropriate for a congressional employee without giving him access to classified information. The documents indicated that officials at State had been tracking Kim's activities for some time; they had speculated that he was working for the KCIA and was subordinate to Tongsun Park.<sup>43</sup>

Contemporaneously, a KCIA official named Kim Sang Keun and two other KCIA officers were reported to have arrived in Washington under diplomatic cover to support ROK lobbying activity.

At around the same time, Pak Bo Hi returned to Korea bearing 60,000 letters which Park Chong Kyu had arranged for President Park to sign. These were then mailed to Americans thanking them for their contributions to ROFA and their support for the Korean Government. This type of activity was criticized by Senator J. William Fulbright, chairing hearings of the Senate Subcommittee on U.S. Security Agreements and Commitments Abroad in February 1970. At that time, Ambassador William Porter testified regarding the State Department's knowledge of the activities of the KCFF and ROFA. Although reports dated as early as 1967 had established that ROFA was using the broadcast facilities of the Korean Broadcasting Service (a Government-owned and operated station) free of charge, Porter said State had no knowledge of this.

The reason for Senator Fulbright's criticism was a letter, dated December 8, 1969, that had been addressed to a number of prominent Americans, including Senator Fulbright, which solicited funds for ROFA. It was signed by Yang You Chan, identified as former ROK Ambassador to the United States. Fulbright described the letter as an attempt by the Korean Government to propagandize the American people. He speculated that this type of activity could have resulted in another \$50 million in military aid to the ROK without the approval of the administration or the Budget Bureau. Fulbright further stressed that KCFF's aims were not consistent with the foreign policy goals of the United States and that the State Department should be aware of its activities. Porter testified that he had conveyed to the Korean Prime Minister the Senator's objections to Yang You Chan's activities in the United States.<sup>44</sup>

The January 14, 1970 minutes of a meeting of the executive committee of KCFF included a letter dated January 7, 1970 from Yang You Chan to William Horning, one of KCFF's founders. Yang told Horning he was resigning because:

<sup>42</sup> KI-4, p. 88.

<sup>43</sup> KI-4, appendix 1-J, p. 512.

<sup>44</sup> "U.S. Security Agreements and Commitments Abroad," hearings before the Subcommittee on U.S. Security Agreements and Commitments Abroad, Committee on Foreign Relations, U.S. Senate, vol. II, Feb. 24, 25, and 26, 1970 (hereinafter referred to as "Symington hearings"), p. 1687.

I am officially Ambassador at Large for the Republic of Korea and President Park has me in his special confidence and assigns me to many special governmental missions, such as lobbying for the 50 million dollar special military assistance to Korea, by the U.S. Congress. While I am following my president's instructions as a government official, I sometimes find myself in a political environment. I do not want KCFF in any way to be misunderstood by anyone as having a political purpose in its activities. As a Korean government official (even though not accredited by the U.S. government) it is not wise to have the position as chairman of KCFF—much as I relish it. You know, Bill, that I love the organization and really do not wish to avoid any responsibility.<sup>45</sup>

Yang asked Horning if he would be willing to accept the position. Horning accepted. On January 14, 1970, Yang formally relinquished his position to Horning and was elevated to honorary chairman. Although Yang had severed his official connections with the KCFF, its financial records indicated that he continued to be reimbursed for expenses incurred on behalf of KCFF as late as 1975, the year he died.

As a result of the U.S. Government's awareness of ROK plans to intensify lobbying operations in the fall of 1970, State instructed Ambassador Porter to take certain actions in Seoul. The actions taken by Porter were reflected in a classified letter sent to Washington which read in part:

\* \* \* In connection with your letter which deals with ROK intensification of lobbying efforts in Washington, I went into this subject at length, first with the Foreign Minister on October 13, and today again with the Prime Minister during our weekly luncheon.

I used the extensive material provided in your letter and its enclosures, I think to good effect. Chung seemed disturbed to hear that we took a serious view of these goings on, and that our legal people were preparing a text which if sent would urge the Koreans and some other embassies to stay within bounds.

Porter indicated that the Embassy would continue monitoring the situation from Seoul, and further stated:

The George Town Club, I gather, was to be a focal point of their new effort under the aegis of Tongsun Park. The Prime Minister inquired whether Tongsun Park was one of the activities we have in mind. \* \* \*

Donald Ranard testified that starting in late 1970 until he left State in 1974, he had admonished the Korean Embassy several times on the importance of limiting the conduct of its diplomatic activities to accredited Korean officials. He emphasized that Tongsun Park and others engaged in similar activities were liabilities. Ranard believed that the ROK officials with whom he dealt regarded the issue as very sensitive, particularly as it pertained to Tongsun Park. It was also his impression that ROK Embassy officials in Washington had very little control over Tongsun Park because of his high-level contacts in Seoul.<sup>46</sup> Contemporaneous documents of Ranard's examined by the subcommittee revealed that he had discussed the problems of lobbying by nonofficial Koreans and ROFA with Korean officials in Washington. Regarding ROFA, Ranard stressed the issue of the letters signed by Park Chung Hee.

Beyond these representations to Korean officials, the State Department also considered circulating a "diplomatic note" to warn all foreign diplomats that activities intended to influence congressional deliberations on matters of material interest to their governments would be unacceptable. However, the note would not have

<sup>45</sup> See appendix C-54.

<sup>46</sup> KI-4, p. 81.

addressed the activities of nondiplomatic representatives. In the end, State decided to deal with problems on an individual basis and did not circulate the note.

In late December 1970, for the first time the State Department approached IRS and the Justice Department in connection with the improper activities of ROK nondiplomatic representatives in the United States. State asked Justice to review the status of ROFA under the Foreign Agents Registration Act (FARA). At the same time, it requested that IRS review the organization's tax-exempt status, but gave no reason for the request.<sup>47</sup> In its response, Justice identified ROFA as a project of the KCFF and concluded that it could not be construed an agent of a foreign principal within the meaning of FARA. IRS stated that it had no record of a tax-exempt determination for ROFA; the matter was apparently not pursued further.<sup>48</sup> The subcommittee determined that the tax-exempt status was held by the parent organization, KCFF, and therefore IRS would have had no record of ROFA.

In early 1971, the U.S. Government became aware of another aspect of improper Korean activities. According to Ranard's testimony, Congressman William S. Broomfield, on a trip to Korea, told Embassy officials that Tongsun Park had offered him and several other Congressman \$1,000 each in campaign contributions. Broomfield turned the offer down in the presence of others.<sup>49</sup> This was the first indication the subcommittee found of a report to executive branch officials that Tongsun Park was offering campaign contributions to Congressmen.

Around the same time, more definitive information was provided to Washington on the activities of KCFF and ROFA. ROFA was exploiting the sensitive issue of POW's in Vietnam to raise funds in the United States which were then used to support Korean Government lobbying activities. Further, the KCFF was bypassing the Korean Embassy in its dealings with U.S. Congressmen.<sup>50</sup>

As a result of Tongsun Park's offer to Congressman Broomfield and his continuing efforts to arrange congressional trips to Korea,<sup>51</sup> Ambassador Porter in Seoul and Deputy Assistant Secretary Winthrop Brown in Washington agreed to try to have the Korean Government "recall" Tongsun Park. It was decided that this could best be arranged by Porter in Seoul. Ranard explained that since Tongsun Park had direct connections with highly placed officials in Seoul, the ROK Embassy in Washington was powerless to control him.<sup>52</sup>

Ranard recalled that when Ambassador Porter raised the matter with President Park, his reaction was, "American Congressmen tell me when they visit here that Tongsun Park is very effective in

<sup>47</sup> KI-4, Supplement, pp. 506 and 532.

<sup>48</sup> KI-4, Supplement, pp. 509 and 534.

<sup>49</sup> KI-4, p. 83.

<sup>50</sup> KI-4, Supplement, pp. 502-503 and 527-529.

<sup>51</sup> Other nonofficial Koreans such as Suzi Park Thomson were also involved in bringing U.S. Congressmen to Korea. A Korean-born naturalized U.S. citizen, Ms. Thomson had worked in the offices of several Congressmen, and by the end of 1970 was working in the office of House Speaker Carl Albert. She was also mentioned in the KCIA's 1976 plan (see "Part C-II: Intelligence Activities and Plans," p. 106ff and "Investigation of Korean-American Relations," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 95th Cong., 1st sess., Part 3, Nov. 29 and 30, 1977 (hereinafter referred to as "KI-3"), pp. 121 and 123 (where her name appears as "Congressional Aide G").

<sup>52</sup> KI-4, pp. 84-85.

Washington." Ranard said that State interpreted the President's statement as an admission that Tongsun Park had some kind of connection with the Korean Government.<sup>53</sup> It was Ambassador Porter's recollection, supported by the memories of others, that as a result of his representations, Tongsun Park did in fact return to Korea and remain for a time in the early part of 1971.<sup>54</sup> However, in interviews with subcommittee staff, Park denied that assertion.

In early 1971, apparently as a result of Porter's representations and the attention that was focused on lobbying activities of Korean nationals in Washington, President Park ordered a halt to all uncoordinated activities, such as those being engaged in by Pak Bo Hi, Tongsun Park, and Row Chin Hwan (former chairman of the Korean residents association in Washington). He reviewed in detail their activities, as well as those of two congressional aides, and attributed them to the machinations of various factions within his Government. It was reported that all these lobbying activities could have taken place without his knowledge because a high-ranking member of his Government had considerable influence over the President's Blue House staff.<sup>55</sup>

One of the factions from which Park Chung Hee might have wanted to dissociate himself was that of Prime Minister Chung Il Kwon, the mentor of Tongsun Park, who in the early part of 1971 was the subject of unfavorable publicity in both Washington and Seoul.<sup>56</sup> However, there were other possible reasons for the President's desire to dissociate himself from Chung. For example, other reporting indicated that large sums of money given to Chung by Tongsun Park and earmarked for Democratic Republican Party coffers were retained by Chung personally.

#### U.S. ATTEMPTS TO COUNTER KOREAN INFLUENCE EFFORTS

Ranard testified that during the 1970 hearings, Senator Fulbright had become so piqued at ROFA's interference in U.S. foreign policy and fundraising tactics that he asked State to ascertain whether the organization should be required to register under FARA. Consequently, when Ranard became State's Director of Korean Affairs in April 1970, ROFA and Pak Bo Hi were subjects of considerable interest. Ranard also said that the names of Tongsun Park, Kim Kwang, and Suzi Park Thomson figured prominently in executive branch reporting.<sup>57</sup> State's suspicions had been sufficiently aroused that by late 1970 they had inquired of IRS and Justice regarding ROFA's status, as mentioned earlier. By early 1971, Ranard had become so concerned about other Koreans besides those involved with ROFA that he held a series of discussions with Deputy Assistant Secretary Brown and Assistant Secretary Marshall Green. They then took their concerns to Under Secretary

<sup>53</sup> KI-4, p. 84.

<sup>54</sup> KI-4, p. 69.

<sup>55</sup> President Park's professed lack of knowledge about these activities would be more credible had the executive branch not been aware the previous fall of his attendance at Blue House meetings where the coordination of some of the activities had been discussed.

<sup>56</sup> The publicity concerned Chung In Suk, a Korean woman whose murder in Seoul under suspicious circumstances had created a scandal. She had been connected with a number of high-ranking ROK Government officials. According to some allegations received by the subcommittee, she had been the mistress of Chung Il Kwon; according to others she had been the mistress of President Park. She had lived in the Washington area for a time with Row Chin Hwan as her guardian.

<sup>57</sup> KI-4, pp. 89 and 95.

of State for Political Affairs U. Alexis Johnson. He in turn, sometime after April 1971 when State had received the responses of Justice and IRS, discussed the matter informally with Attorney General John N. Mitchell. Mitchell advised Johnson to submit all the details in writing to him personally so that Justice could evaluate the situation and make recommendations. The task of compiling the information was given to Ranard.

Johnson sent a letter to Mitchell on June 8, 1971, enclosing a memorandum prepared by Ranard, classified secret, which summarized the reporting gathered from various sources, including State's own observations, on ROFA and its principal officers. The memorandum showed that ROFA was State's primary concern. There was also brief mention of Tongsun Park's questionable activities. Kim Kwang and Suzi Park Thomson were not mentioned.<sup>58</sup>

The subcommittee's examination of subsequent communications between State and Justice indicated that the Internal Security Division of Justice, including the Registration Section which had responsibility for FARA, also believed that State's main focus was ROFA. However, when Justice suggested that State agree to narrow the investigation of ROFA to FARA violations, State replied that it wanted a "full scale investigation" to determine if ROFA had violated any Federal statute, including FARA. Justice also asked State if it had any objection to the FBI's interviewing Pak and Yang. State replied no, and Justice instructed the FBI to do so. Later the FBI agent in charge of the case interpreted this as an instruction limiting the interviews to those persons only.

The main thrust of the FBI investigation that Justice requested was the issue of a possible FARA violation by ROFA; the request referred to an investigation of "Radio of Free Asia: Registration Act." A review of the documents suggests that it was almost an afterthought that Justice asked the FBI to look into whether Tongsun Park should have registered under the espionage acts (50 U.S.C. 851-857, mentioned earlier) and the possibility of mail fraud by ROFA or its principals.<sup>59</sup>

Because of the so-called "third agency rule" regarding dissemination of information,<sup>60</sup> Justice did not send to the FBI the State Department's secret memorandum which, in addition to summaries of reports from several agencies, contained some information that State itself had developed. State did, however, arrange for the FBI to receive one other executive branch agency's information on ROFA. No such arrangements were made for the information of other agencies. As a direct consequence, the FBI did not receive information as comprehensive as that which State originally transmitted to Justice.

Although the letter from Justice to the FBI requesting the ROFA investigation was not transmitted until November 1, 1971, the other agency's information on ROFA was sent in September. A few days earlier, the FBI received additional information characterized

<sup>58</sup> All documentation available on these events is contained in KI-4, Supplement, pp. 531-616.

<sup>59</sup> KI-4, Supplement, pp. 551-572.

<sup>60</sup> Executive order dated May 17, 1972, states: "D. Consent of Originating Department to Dissemination by Recipient. Except as otherwise provided by sec. 102 of the National Security Act of 1947, 61 Stat. 495, 50 U.S.C. 403, classified information or material originating in one Department shall not be disseminated outside any other Department to which it has been made available without the consent of the originating Department."

as counterintelligence information which identified two named congressional aides as being under the control of the KCIA.

By August 1971, the U.S. Ambassador in Seoul was also expressing concern regarding the two congressional aides. In a message to Ranard, the Korea Country Director in the State Department, the Ambassador noted that Suzi Park Thomson was a congressional staff member currently in Seoul accompanying a congressional delegation. She had also been in Seoul a few months earlier at the time of Congressman Hanna's visit, during which time she had been in contact with Tongsun Park. The telegram went on to state that there were strong indications that in the past Korean Government officials and the KCIA had used her, or intended to. The Ambassador advised that U.S. Congressmen visiting the ROK be cautioned about her. Other internal State documents indicated that as early as August 5, 1971, some State officials had assumed that Kim Kwang was being investigated by the FBI (although there was no indication that the Bureau ever did investigate Kim).<sup>61</sup>

The information concerning the two congressional aides, on its receipt by the FBI, was referred to the Nationalities Section of the Domestic Intelligence Division—the same section that was to be responsible for the ROFA investigation. In fact, the same FBI official in this section, William McDonnell, was to handle all matters relating to Korea.

McDonnell testified to the subcommittee that when he received the information regarding the two congressional aides, he initiated a series of telephone calls to the originating agency. In the first, McDonnell requested permission to send the information to the President's Special Assistant for National Security Affairs, Henry A. Kissinger. He was given the go-ahead to send it to both Kissinger and Attorney General Mitchell. In another conversation the following day, according to McDonnell, he was told by the originating agency that the source of the information was so sensitive that the FBI could not use it in any investigative action. McDonnell made notations of these conversations on the document he had received.<sup>62</sup>

In preparing the package for Kissinger and Mitchell, McDonnell wrote a note to his superiors which accompanied the communications. In the note, he indicated that the communications repeated other material, in addition to the information on the two congressional aides, of a similar or related nature which he had received from another intelligence agency and originally transmitted to them on July 16, 1971.<sup>63</sup> McDonnell's communications were approved by the FBI hierarchy and signed by Director J. Edgar Hoover for transmittal to Kissinger and Mitchell on September 30, 1971.<sup>64</sup>

In November 1971, the originating agency once again transmitted to the FBI counterintelligence information in which reference was made to the earlier communication in which the two congressional aides had been identified as being under KCIA control. The following statements were also made: Tongsun Park had made

<sup>61</sup> See KI-4, appendix 4-M, p. 516. The statements indicating a belief that the FBI was investigating Kim were not declassified at the time of publication of those hearings.

<sup>62</sup> KI-4, pp. 125-126; appendix 3-A, p. 551.

<sup>63</sup> See appendix C-63.

<sup>64</sup> KI-4, appendixes 3-B and 3-C, pp. 552-553. See also appendixes C-64 and C-65.

payments to a named Congressman with money received in rice deals; Tongsun Park, while not a KCIA agent as such, was acting under KCIA direction; the Korean Government had spent large sums of money to develop control over journalists, both Korean and American, in the United States; and the Blue House had been directly involved in the contribution of several hundred thousand dollars to the 1968 Democratic national campaign.

The subcommittee discovered that separate elements of the intelligence community received information that a campaign contribution of several hundred thousand dollars had been made to the 1968 Presidential campaign of the late Hubert Humphrey. Due to the sensitivity of the allegation and the large amount of the alleged contribution, the subcommittee embarked on an extensive investigation to determine whether the contribution had been made. The subcommittee was unable to make this determination, although there were strong indications that the Korean Government intended to contribute to the Humphrey candidacy in 1968.

In the fall of 1977, the subcommittee received information from an element of U.S. intelligence suggesting a substantial contribution had been made in 1968. This information was not received by that element until the early 1970's.

At a hearing in March 1978,<sup>65</sup> the subcommittee released a declassified summary from another element of U.S. intelligence which stated that the Korean Government contributed several hundred thousand dollars to the Democratic National Committee in 1968. The information had been received even earlier by this element.

In pursuing the initial information, the subcommittee learned that the source was considered very reliable. The subcommittee interviewed several individuals who were privy to the information at that time, and their recollections varied as to the amount of the contribution. However, most recalled that the reason the information did not surface before the early 1970's was that President Park had been upset that his Government had contributed to the losing party in 1968. This point was strengthened by a June 1978 report by the Senate Intelligence Committee, which stated:

\* \* \* U.S. intelligence also learned that the KCIA was investigating an "unconfirmed" report said to be circulating in Washington about an alleged substantial Korean contribution to the 1968 Democratic presidential campaign, and the possibility that persons in the Republican Party might use the information in retribution when the Watergate investigation was finished.<sup>66</sup>

The subcommittee disclosed that the first intelligence element determined not to pursue the matter further, and it was decided by those responsible to make this information available to the second intelligence element. Subsequent interviews revealed there was no record of the information being forwarded to or received by the second element.

As previously stated, the second element had received similar information at an earlier date from a source considered generally reliable. Unlike the first element, the second sent the information to Washington. As revealed in the March 1978 hearings, the FBI sent the information to the Attorney General and the President's

<sup>65</sup> KI-4, p. 123 and appendixes 3D-3E, pp. 554-555.

<sup>66</sup> Senate intelligence report, p. 15.

National Security Adviser but no investigative action was taken.<sup>67</sup> In sum, two members of the intelligence community in the early 1970's received similar information from reliable and separate sources.

The information provided by the intelligence community stated that a contribution had been made, but did not provide further details beyond that statement. Inquiries revealed no detailed information on how the contribution might have been made and to whom.

The subcommittee questioned individuals who were aides to Humphrey when he was vice president as well as campaign officials who worked for the 1968 Humphrey campaign or the Democratic National Committee. None of the individuals indicated any knowledge of Korean interest or participation in that campaign. None of the campaign officials recalled contributions of Korean origin, nor did the subcommittee's examination of 1968 campaign records reveal any contributions that could be traced to the ROK Government.

An examination of Korean Government preferences in the 1968 U.S. election indicated that the ROK Government favored Humphrey as the successor to President Johnson. This preference was based on the likelihood of Humphrey carrying forth the commitments promised to South Korea by President Johnson. It was further reinforced by the fact that Richard Nixon was making statements implying that if elected he would alter the nature of the U.S. commitment to its Asian allies.<sup>68</sup>

Kim Hyung Wook, who was director of the Korean CIA at the time of the alleged contribution, stated that he had no knowledge of such a transaction and that one could not have been made without his approval. Likewise, Tongsun Park told the subcommittee he was not aware of a contribution, though he was well aware of rumors to that effect. Park told the subcommittee that the rumors ranged from contributions of \$100,000 to \$400,000 to Humphrey and that the ROK Government had contributed to both the Democrats and the Republicans that year. Both Kim and Park expressed their belief that the ROK Government felt more comfortable with Humphrey than with Nixon in the 1968 campaign. Regarding his own contribution to U.S. Presidential campaigns, Park has testified that in 1972 he contributed either \$5,000 or \$10,000 to Senator Humphrey's Presidential primary campaign and \$25,000 to the Nixon candidacy. However, of the 1968 contribution Park stated that "I certainly do not have direct knowledge."<sup>69</sup>

The subcommittee was unable to establish whether a contribution was in fact made. The evidence available suggests the ROK Government wanted Humphrey to be Johnson's successor, that Tongsun Park, working on behalf of the ROK Government, contributed to the subsequent Presidential campaigns of both Nixon and

<sup>67</sup> KI-4, pp. 127-130.

<sup>68</sup> See also "Part C-I: Security and Political Affairs," p. 59.

<sup>69</sup> "Investigation of Korean-American Relations," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 95th Cong., 1st and 2d sess., Part 7, June 22, 1977; July 20 and Aug. 15, 1978; "Korean Influence Inquiry," executive session hearings before the Senate Committee on Ethics of the U.S. Senate, 95th Cong., 2d sess., Mar. 14, 15, 16, 17, 22, 23, Apr. 10, 11, 27, 1978, vol. I, p. 42; subcommittee staff interviews with Tongsun Park. See also "Part D-VI: Special Problems with Tongsun Park, Kim Hyung Wook, and Kim Ki Wan, p. 421."

Humphrey, and that the two intelligence elements received this information from sources they considered reliable. However, there was no evidence available to determine who actually delivered the contribution if one was made, how it was made, or to whom it was made. The subcommittee did determine that neither intelligence element was asked to obtain more information on the Korean contribution to the 1968 Presidential campaign.

Returning to the consideration of the FBI's investigation of ROFA, McDonnell transmitted the orders for the investigation to the Washington field office on November 11, 1971. It has been noted that concurrently with his receipt of information from a U.S. intelligence agency on ROFA, McDonnell was receiving other information regarding questionable Korean activities. For example, the November information referred to one of the individuals—Tongsun Park—who was named in the Justice Department request for the ROFA investigation. However, that additional information was not sent to the agents in the field office who were to conduct the ROFA investigation. McDonnell's testimony was that he had been told by the originating agency that no investigative use of the material could be made. However, a review of internal documents at the originating agency, as well as an interview of the official who had sent the information to the FBI, indicated that the originating agency had not placed any restrictions on the investigative use of that information.<sup>70</sup> Officials of that agency told subcommittee staff in classified interviews that their practice was to include any restrictions on use of information in the body of the written communication; this had not been done in the September and November 1971 items. They further pointed out that the originating agency was particularly sensitive, due to previous misunderstandings, to keep a clear written record of all interaction between the two agencies. Finally, the official who had prepared the communications stated that he had sent the information to the FBI because of its clear investigative interest. His statement was supported by his superiors who reviewed the communications prior to transmittal.

Going back to a related set of events, on the same day (June 8, 1971) that Under Secretary Johnson's letter and secret memo on ROFA were sent to the Attorney General, the House Subcommittee on Asian and Pacific Affairs, chaired by Congressman Gallagher, was beginning hearings in executive session on the military modernization plan for Korea. During their testimony, General John H. Michaelis and Ambassador Porter discussed classified material. At later, open sessions, Profs. Robert Scalapino and Gisbert Flanz testified. Flanz was a former consultant to the Korean Government, Scalapino an academic regarded as sympathetic to the ROK. Gallagher's aide, Kim Kwang, whom U.S. officials had identified in December 1970 as helping to prepare for the hearings, had asked Flanz and Scalapino to testify.<sup>71</sup>

On the first day of the hearings, an executive branch agency received a report which stated that Kim Kwang was passing classified information from Gallagher's subcommittee to the Korean Embassy in Washington. By mid-June, other reports indicated that

<sup>70</sup> See also KI-4, p. 131.

<sup>71</sup> Cable from U.S. Embassy, Canberra, to Department of State, dated Nov. 10, 1970, cited in KI-4, p. 88.

Kim Kwang was considered to be in the same category as Tongsun Park—both had close ties to ROK Government officials and both were used to further ROK interests. Ranard testified that he had at that time held a meeting with his staff and representatives of other agencies to determine a course of action. Deputy Assistant Secretary Brown advocated warning Gallagher of the Korean Government's penetration of his staff, but the other agency officials advised against this, because the Congressman might, inadvertently or not, disclose his knowledge.

Ranard testified that the report was "highly reliable, important, and very sensitive,"<sup>72</sup> he recalled that it had indicated that KCIA headquarters in Seoul had instructed the KCIA station chief in Washington to instruct Kim Kwang to influence the hearings so that the results would be in the ROK's best interests. Ranard further testified that during the meeting in his office he was advised that there had been a previous report on the same matter which he had apparently not seen. At that point Ranard had adjourned the meeting and requested that the earlier report be provided to him prior to another meeting. At the next meeting, Ranard testified, the other officials said they could not discuss the matter with him any further. Ranard assumed this meant it was being handled at a higher level.<sup>73</sup>

A Senate report summarized an intelligence report furnished to the FBI in July 1971 by a U.S. intelligence agency:

A named Member of the House of Representatives and a named member of his staff had been cooperating with the KCIA, and the Congressman had received "payoffs" for assisting the Korean government before a House committee.<sup>74</sup>

There was no evidence that the FBI took investigative action pursuant to the information. An analysis of FBI Agent McDonnell's memoranda indicates that the information was disseminated on July 16, 1971, and repeated along with other information on September 30, 1971, to Attorney General Mitchell and National Security Adviser Kissinger. Information of such sensitivity usually carries a caveat from the originating agency that no investigative use of the information can be made. The reference to a "payoff" to a Congressman for having assisted the ROK Government before a House committee accounts for the intelligence officials' reluctance to warn Gallagher of a KCIA penetration of his subcommittee.

The seriousness with which the FBI regarded this information is reflected in an internal memorandum dated July 14, 1971, with an addendum dated July 15, 1971. The addendum states that if Mitchell or Mardian believed it was advisable to do something—the nature of that "something" was deleted from the copy provided to the subcommittee—they should advise the Bureau as to the grounds for doing it. The next sentence notes that under Presidential powers vested in the Attorney General, he can authorize doing it only "to protect the Nation against attack, to obtain foreign intelligence, to protect national security information, to protect against the overthrow of the Government, and any other clear danger to the structure of the Government." Below the typed portion of the memorandum was a handwritten note by Director J.

<sup>72</sup> KI-4, p. 92.

<sup>73</sup> KI-4, pp. 91-93.

<sup>74</sup> Senate intelligence report, p. 16.

Edgar Hoover which said, "Yes, but I will do so only on request of [Attorney General], not Mardian."<sup>75</sup>

While these are criteria for instituting a national security intercept, the subcommittee was unable to establish whether anything else was done with respect to instituting such an intercept. Mardian, in an interview with subcommittee staff, stated that he had no recollection of ever having received information pertaining to Korean lobbying, Tongsun Park, or KCIA operatives in congressional offices. He explained that the Attorney General and the Director of the FBI had not included him in discussions about the disposition of that kind of information. However, the subcommittee had copies of FBI documents which dispute Mardian's contention.<sup>76</sup>

With regard to the meeting Ranard called in his office concerning the reporting, neither the records nor the recollections of one of the agency's officials at the first meeting coincided with Ranard's recollection that a second meeting was held. The subcommittee was unable to resolve the issue because the original reporting agency refused to provide access to it or to provide details of its dissemination. The FBI, also a recipient of the report, took refuge behind the "third agency rule" and refused to provide the subcommittee with the substance removed from the sanitized documents.<sup>77</sup>

Analysis of the chronology, together with information developed by the subcommittee, suggested that when State requested the ROFA investigation in 1971, it was responding in part to congressional pressure. In February 1970, when Ambassador Porter had appeared before Fulbright, the Senator admonished him to "keep an eye on" tax-exempt organizations for violations of FARA. Consequently in September 1970, when Pak Bo Hi repeated the same type of "questionable practice"<sup>78</sup> by sending out 60,000 letters to U.S. citizens from Park Chung Hee, State reflected its concern in its reporting. By December, State was making inquiries of IRS regarding ROFA's tax-exempt status and of Justice on its FARA status. At the end of 1970 State did not have any new, compelling information beyond what it had had earlier. Apparently Senator Fulbright's admonition to State provided the necessary impetus for them to initiate some action.<sup>79</sup>

Although the information about Tongsun Park was purposely included in State's request for an investigation of ROFA in order to broaden the scope of that investigation,<sup>80</sup> the information did not accurately reflect the prominence of Park's activities in the reports in State's possession. Additionally, State did not include the activities of Suzi Park Thomson and Kim Kwang in their request for a "full scale investigation."

At the time of its June 1971 letter to Justice, State was already aware of Kim Kwang's connections with Tongsun Park. Nevertheless, when it received additional and more definitive information at the very time it was requesting that Tongsun Park be investigated, it did not send the new information to Justice. The subcommittee was not able to establish whether or not State was aware of the

<sup>75</sup> See appendix C-60.

<sup>76</sup> See appendixes C-57, C-59, C-60, C-62.

<sup>77</sup> See appendixes C-60, C-61, C-62.

<sup>78</sup> Senator Fulbright's characterization, see Symington hearings, p. 1690.

<sup>79</sup> See, for example, KI-4, Supplement, p. 502, paragraph 5.

<sup>80</sup> KI-4, p. 100. The State request is at KI-4, Supplement, pp. 539-544.

July 1971 information on a congressional aide that had been sent to the FBI.

Regardless of any shortcomings in compiling and transmitting information to Justice, it was clear that State regarded the activities of various unofficial Korean representatives to be improper and possibly illegal. From the subcommittee's analysis of the information sent, it was clear that State was taking the other agencies' reports on those activities seriously.

The letter of June 8, 1971 of Under Secretary Johnson to Attorney General Mitchell sought guidance on how to proceed.<sup>81</sup> Justice chose instead to focus on FARA, which was treated as little more than a registration and recordkeeping requirement. The attitude of Justice officials was reflected in an internal memorandum in which it commented on State's concern about ROFA as merely "a thorn in the flesh and a potential source of embarrassment."<sup>82</sup> However, Ranard testified:

\* \* \* I was deeply concerned that we were involved here with an organization that might well be involved in a violation of security of the United States or an organization involved in criminal acts \* \* \* I do not think it is a fair judgment by whoever wrote this memo to characterize it as simply a concern that these people were a "thorn in our flesh." They were more than that.<sup>83</sup>

The subcommittee was unable to discover any indication that Tong-sun Park's activities were considered separate and apart from those of ROFA—irrespective of Justice's decision to investigate his activities under the Espionage Act.

During hearings which dealt in part with the Justice Department's handling of the ROFA investigation, James C. Hise, former chief of the Registration Section, testified that a lack of personnel and expertise required the Registration Section to handle requests according to a system of priorities. The more experienced personnel handled cases involving unfriendly countries and the distribution of propaganda that could be damaging to internal security and national defense. The Republic of Korea was not considered a high priority compared to "iron curtain" countries. It was also Hise's opinion that the Registration Section itself had a very low priority within the Justice Department's Internal Security Division and had even been considered for elimination.

As mentioned earlier, the letter from Assistant Attorney General Mardian to the FBI Director requesting the ROFA investigation had not limited the Bureau to interviews of Pak Bo Hi and Yang You Chan. It merely stated that the State Department had no objection to their being interviewed. However, in a note attached to the investigation request which went to the Washington field office, McDonnell instructed the investigating agent not to interview any ROFA personnel other than Pak and Yang. He noted that he had received this instruction from Hise over the telephone on November 4, 1971.<sup>84</sup>

Hise testified that he had no recollection of any such conversation and could not speculate as to why he would have put such a restriction on interviews. Hise said that if there had been such a conversation, he might have advised against interviewing the

<sup>81</sup> KI-4, Supplement, p. 539.

<sup>82</sup> KI-4, Supplement, p. 555.

<sup>83</sup> KI-4, p. 101.

<sup>84</sup> KI-4, Supplement, pp. 568-569 and 573-575.

prominent Americans on the ROFA letterhead.<sup>55</sup> The perceived restriction on interviewing persons other than Pak and Yang was just one in a series of restrictions imposed on either the use of information or the investigative techniques to be employed by the FBI.

As for the investigation itself, it appeared to have taken more time to decide what to do than it took to do it. At best, the investigation conducted by the Washington field office of the FBI could be described as perfunctory. It consisted of a check of public and FBI records and an interview of Pak Bo Hi. Yang was not interviewed, according to the field office report, because of his advanced age—a decision apparently based solely on Pak Bo Hi's assertion that Yang was old and unwell.

Likewise, the FBI investigation of Tongsun Park was limited to comments made by Pak Bo Hi, even though Pak stated that he was not well acquainted with Park. Specifically, Pak told the FBI that Park was a prominent Korean businessman who operated oil tankers and was one of the founders of the George Town Club in Washington. Pak claimed that he had no information to indicate a connection between Tongsun Park and the Korean Government.

There was no indication in the Bureau's investigative report that it addressed the mail fraud allegation. The FBI apparently did not conduct any indepth audit of KCFF's or ROFA's fundraising activities to determine if funds were being used for the stated purposes. On the contrary, they accepted Pak Bo Hi's assertion that the KCFF had recently been audited by IRS in connection with its tax-exempt status. It is possible that the IRS might have conducted a different audit had they been made aware of the allegations under investigation.<sup>56</sup>

Considering some of the handicaps and perceived restrictions under which the FBI investigators were operating, they did make some constructive suggestions in the cover memo to their report. FBI headquarters, however, did not forward them or other information to Justice. That other information was the results of the earlier 1964-66 FBI investigation of the KCFF. The subcommittee's examination of this file disclosed that a comprehensive, long-term investigation of KCFF had been conducted between 1964 and 1966 for possible violations of FARA. It detailed the relationships between the Korean Government-sponsored APACL Freedom Center, the intentions of Pak and Yang to use the KCFF to raise funds for the project, and also Tongsun Park's relationship to Cho Dong Ha, the Korean Government representative of APACL-FC. The subcommittee was unable to find any evidence that FBI investigators had ever consulted this earlier report.

In December 1971, when the FBI submitted its investigative findings to the Registration Section at Justice, Hise was no longer chief. Nevertheless, he characterized the investigation as an inadequate response to the Justice Department's request. He further testified that had he had knowledge of the 1964-66 KCFF investigation, it would have influenced his decision regarding the need for further investigation in 1971 because "it would have shown us the

<sup>55</sup> KI-4, p. 116.

<sup>56</sup> The complete FBI report on its 1971 investigation of ROFA is contained in KI-4, Supplement, pp. 577-607.

extent and scope of KCFF activities in this country.”<sup>87</sup> Hise also said that it would not have been unusual for the Registration Section to request further investigation in order to provide Justice with sufficient information to formulate a legal opinion.

Justice documents indicated that on March 16, 1972, Acting Attorney General Kleindienst closed the case without any further investigation, and the State Department was so notified.

During the course of its investigation, the subcommittee learned that in November 1971, KCFF and ROFA officials became aware of the efforts of the State Department to discourage Congressmen from being connected with ROFA. As a result, Donald Miller, a fundraiser and public information officer for ROFA, contacted Richard Walsh, an attorney with the Washington, D.C., law firm of Corcoran and Rowe, with whom Miller had dealt previously regarding KCFF and ROFA legal matters. Miller wanted to know if there was any legal basis for preventing the State Department from engaging in these activities. He suggested to Walsh that information from the CIA might be the origin of State's concern. Walsh brought Robert Amory, an attorney with that firm and a former CIA official, into the discussion. Amory and Walsh agreed to assist KCFF and ROFA, and on November 24, 1971, Amory sent Pak Bo Hi a letter outlining terms for their retainer.

Subcommittee staff interviewed Amory to determine the scope of his activities and to find out if any of them had influenced the FBI investigation. It was determined that between December 17, 1971, and January 3, 1972, a period contemporaneous with the FBI investigation, Amory contacted William E. Nelson, then head of the Far Eastern Division of CIA; Winthrop Brown, then Deputy Assistant Secretary for the Far East; and Marshall Green, then Assistant Secretary of State for the Far East. His purpose was to ascertain the problem and to try to resolve it. From the outset, Amory made it clear to Miller that he might uncover derogatory information.

Regarding Nelson, Amory said that he met with him and, after explaining his interest, asked if he could obtain unclassified material that would help him understand the ROFA problem. Several days later Nelson called to say that circumstantial evidence indicated a close tie between ROFA and the Korean Government. As an example, he said that ROFA was being given free use of KBS broadcast facilities. Of Brown, Amory said that although he was an old friend, he “clammed up” and advised Amory to have nothing to do with KCFF or ROFA. He indicated that ROFA was then under investigation by the Department of Justice concerning its relationship with a foreign power. Shortly thereafter, Green canceled his appointment, saying that he would not add anything to what Brown had already said.

Amory said that it was not until April 4, 1972, that he contacted then-Deputy Attorney General Kleindienst, who had been a former student of his at Harvard. He asked Kleindienst to expedite the investigation and suggested that it was unfair not to inform ROFA of the reason it was being investigated. It was not until sometime in July or August that Deputy Attorney General A. William Olsen called saying that the investigation had been concluded and no

<sup>87</sup> KI-4, p. 115.

further action would be taken. This was at least 4 months after Kleindienst notified State that Justice had closed the case. On August 3, 1972, Amory wrote Pak Bo Hi advising him that he had been "confidentially advised on the highest level" of that fact.

The officials whom Amory contacted were interviewed by the subcommittee staff. There was no evidence that Amory's inquiries had any effect on the outcome of the ROFA investigation.

Approximately 1 month after the FBI had submitted its investigative report on ROFA and Tongsun Park to Justice, they received additional counterintelligence information from the same agency that had provided the September and November 1971 information.

This report stated that a named Congressman, who had previously sought campaign contributions from President Park Chung Hee, had recommended to the President not only that Tongsun Park be put in overall charge of influence and lobbying efforts in the United States, but should also be named chief ROK agent for rice purchases from the United States.<sup>66</sup> The FBI handled this information in the same fashion as the previous intelligence. Again it added the caveat that the source was so sensitive that any investigative use was precluded. Dissemination was limited to the Attorney General and the National Security Adviser.

On March 21, 1978, the subcommittee received sworn testimony from former Attorney General Mitchell which included discussion of these counterintelligence matters. Mitchell testified that he recalled the first memorandum, dated September 30, 1971, which stated that two congressional aides were under the control of the KCIA. The information had surprised him sufficiently that he had made a personal visit to the House Speaker, in whose office one of the aides was then employed. Mitchell said he raised the issue of that aide with the Speaker but did not discuss the second aide or the Congressman for whom he worked.

In an interview with subcommittee staff, former Speaker Carl Albert stated that Attorney General Mitchell had come to see him to discuss Albert's aide Suzi Park Thomson; Albert said that Congressman Gallagher and Kim Kwang had not been discussed. The Speaker stated that he had asked Mitchell if Thomson should be fired and that Mitchell had responded that he should do so only if she were handling sensitive material. Albert checked and found she was not, asked the FBI to run a name check on her, and learned nothing to cause him concern.

Mitchell testified that the other aide's name had not been raised because "the matter involving the other Congressman at that particular time was under investigation." When questioned further, Mitchell stated:

At the time that [the] investigation was going on concerning those matters, there was also a criminal investigation going on concerning tax matters. There were probably other items involved, but I remember tax matters.

The Criminal Division of the Justice Department considered the overall picture and recommended to me that since they were so far advanced with the criminal

<sup>66</sup> At the time of the subcommittee's release of this declassified information (KI-4, appendixes 3F and 3G, pp. 556-557), a statement was erroneously included that Ambassador Habib was attempting to have Tongsun Park register under FARA. It was true that since the time of his arrival in Seoul in 1971, Habib had been concerned about Tongsun Park's activities; he had repeatedly communicated about them to Washington and had encouraged Ranard's efforts to have them investigated by Justice under FARA. However, it was not true that Habib's efforts had been mentioned to the FBI, nor conveyed by them to Kissinger and Mitchell.

activities of the Congressman relating to the tax matters that the Korean situation should be merged into the other matter and that the indictment be brought only with respect to the tax matters."<sup>90</sup>

Mitchell testified that he had no recollection of ever having seen the second memorandum from Director Hoover which dealt with, among other things, the allegations that a named Democratic Congressman had received rice commission payoffs from Tongsun Park and that the Korean Government had contributed several hundred thousand dollars to the 1968 Democratic national campaign. Mitchell drew appreciative laughter from the audience at the hearing when he stated that had he seen such allegations he would remember them.

Similarly, Mitchell testified that he did not recall the third memorandum of February 1972 from the FBI, even though a Justice Department logging slip<sup>90</sup> indicated that the memo had his initials on it. He testified that he had not placed them there. The third communication again mentioned questionable activities on the part of one of the same named Congressmen, and Mitchell testified once more that he would have recalled the information had he ever seen it.

Former Secretary of State Kissinger testified before the subcommittee on April 20, 1978, and was also asked about the FBI communications. As noted earlier, FBI agent McDonnell had requested permission of the originating agency to disseminate the information to Kissinger precisely because he felt that such sensitive information would be of obvious interest to the President's Special Assistant for National Security Affairs. Kissinger did not recall having received the three communications and indicated that he would not have been as interested in such information as compared with information on other international events with which he had been engaged. He suggested that others in his office, particularly his deputy, Gen. Alexander Haig, might have received the three communications. Haig had no recollection either.

Subcommittee staff spoke with several of the persons in Kissinger's office who would have had access to such information. They stated that top secret "eyes only" material from FBI Director Hoover was hand-delivered by an FBI agent and was opened only by Kissinger or Haig. The FBI file copies of each document indicated that each had been hand-delivered to Kissinger's office. The staff also contacted National Security Council staff involved with Korean affairs during that time and found that none had ever been consulted with regard to these matters.<sup>91</sup>

<sup>90</sup> KI-4, pp. 143-144 and 149-150. It should be noted that on Apr. 11, 1972, Congressman Cornelius Gallagher was indicted for conspiracy, perjury, and income tax evasion; he interrupted his trial and pleaded guilty to income tax evasion and was sentenced to 2 years and a \$10,000 fine on June 16, 1973.

<sup>91</sup> KI-4, appendix 5-B, p. 572.

<sup>92</sup> The National Security Council (NSC) as a governmental body has virtually no "institutional memory." While administrative staff in the Special Assistant's office may remain through successive administrations, policy staff are appointed by each administration. Documents from other executive branch agencies are reviewed by policy people and returned to the originating agencies. Memoranda generated by that review are not kept as permanent files at NSC but rather are regarded as Presidential papers and are consigned to the National Archives at the end of each administration. Consequently, no reference material on past actions is readily available at the NSC. Other problems at the NSC are commented on by former intelligence official Ray Cline, who addressed what he termed the decline of the NSC: "This same problem persisted into the Nixon era, when policymaking further narrowed its circle of full participants and all decisions were made by President Nixon and Henry Kissinger, Nixon's Assistant for

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Kissinger testified that he recalled "the letter that speaks about the alleged bribery of one Congressman who was later indicted,"<sup>92</sup> apparently referring to the July 1971 communication about the Congressman and his aide cooperating with the KCIA. Because he knew that the Congressman was being prosecuted, Kissinger believed the proper actions were being taken:

That communication I recollect, and since that Congressman was later indicted, I assume that the Justice Department was dealing with the information, and in any event I must repeat, these were letters from the Director of the FBI to the Attorney General about matters of jurisdiction entirely within the Attorney General's domain, and did not involve anything I could deal with.<sup>93</sup>

During an interview with subcommittee staff, former Secretary of Defense Melvin Laird described his knowledge of Korean lobbying in Washington. He had been aware of lobbying of Congress during the 1960's when he was a Congressman; however, it had been conducted by the ROK Ambassador to the United States. By the 1970's, when he was a member of the administration, Laird was aware that activities had been expanded, that other Korean Government representatives were contacting Members of Congress, and that the number of congressional delegations visiting Korea had increased.

Concerning the troop reduction decision which Laird had advocated, he could tell which Congressmen had been contacted by the Koreans by the nature of their views on the subject. Some Congressman specifically told Laird of the contacts. The Koreans would overstate the threat from the north to Congressmen, which caused them to question the troop reduction. Laird said that it was in this context that he had warned Ambassador-designate Habib about Korean lobbying just prior to Habib's departure for Seoul.

As Secretary of Defense, Laird had seen reporting on Korean lobbying activities but had no recollection of specific information on organized plans of Korean Government officials to influence U.S. policy. He would not, in any event, have viewed that activity as abnormal for a government feeling threatened by a change in U.S. policy.

In January 1972, only 5 months after Ambassador Habib had taken up his post in Seoul, Deputy Assistant Secretary Winthrop Brown prepared a secret memo for the record.<sup>94</sup> It described Habib's concern about Tongsun Park's activities. Tongsun Park was continuing to interfere in the itineraries of visiting congressional delegations and was making campaign contributions to U.S. politicians. A candidate for Governor of Louisiana was said to have received at least \$50,000, while the amount contributed to various U.S. election campaigns was said to total \$400,000.

Brown added his own comments—that the \$1,000 offer to a named Congressman and others should be reported to the FBI in connection with their current investigation of Tongsun Park.

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National Security Affairs, who came to use the NSC apparatus and the intelligence community as his private staff rather than as supporting staff for the President." (Cline, Ray S., "Secrets, Spies, and Scholars: Blueprint of the Essential CIA," Acropolis Books, Ltd., p. 202.)

<sup>92</sup> KI-4, p. 242.

<sup>93</sup> KI-4, pp. 242-243.

<sup>94</sup> "Investigation of Korean-American Relations," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 95th Cong., 2d sess., part 5, June 1, 6 and 7, 1978 (hereinafter referred to as "KI-5"), appendix 2-A, pp. 146-147.

Brown did not know that the FBI had already concluded the investigation of Park and that Justice was preparing to close the case. The subcommittee found no indication that State communicated this additional concern to the FBI.

Although the FBI had concluded its ROFA investigation by January 1972, Justice did not report the results to State until March 1972 and did not transmit a copy of the FBI report. In his letter to State, Acting Attorney General Kleindienst said:

Accordingly, in the absence of additional information concerning this subject or its activities, this Department is contemplating no further action in the instant matter. Should information subsequently come to our attention sufficient to give rise to an obligation on the part of this subject to register or indicate that its activities are in violation of any Federal statute we will, of course, take necessary action.<sup>95</sup>

In the spring of 1972, increased activity on the part of Korean officials maneuvering for position in Korean-American rice transactions was reported. The KCIA was short of funds.<sup>96</sup> Lee Hu Rak, the director of the KCIA, was to supervise personally rice purchases from the United States in 1972 and Tongsun Park was to continue as front man.

Elected U.S. officials urged President Park to allow Tongsun Park to handle these matters and used the KCIA pouch from Washington to Seoul to correspond with the President. Additionally, due to U.S. political pressure, the ROK was purchasing Public Law 480 rice that it did not need.<sup>97</sup>

In late March 1972, U.S. rice suppliers received letters from Ahn Kwang Suk of the ROK Office of Supply (OSROK):

In order to insure more satisfactory transactions for our rice trade, we are pleased to inform you that Mr. Tongsun Park, President and Chief Executive Officer of Miryung Moolsan Company of Seoul has once again, as in the past, agreed to serve as an intermediary. In fact, his services will be required for all of our rice trade with the United States in the future.

We wish to thank you for your past cooperation, and we look forward to having your support and understanding in the future.<sup>98</sup>

Connell Rice and Sugar Co., one U.S. supplier, asked the Department of Agriculture (USDA) if Tongsun Park or any company with which he was connected was eligible to act as sales agent for Public Law 480 rice transactions and, additionally, if using him would be cause for disapproval of financing any commissions.

USDA replied:

In response to your April 17, 1972 telex, please be advised that USDA will not approve Mr. Tongsun Park or any company with which he is connected to operate as a sales agent for suppliers of rice to Korea under P.L. 480. Decision predicated upon section 17.2(c)(19) of regulations which states " 'Selling agent' means any individual or other legal entity who operates as a bona fide sales agent for the supplier of the commodity and who is not employed by or otherwise connected with the importer or the importing country." OSROK Seoul and New York have been so advised.

Mr. Ahn Kwangsuk's March 21 letter to U.S. rice traders is prima facie evidence that Mr. Park is "otherwise connected with the importer or the importing country" and therefore has the effect of disqualifying Mr. Park.

<sup>95</sup> KI-4, Supplement, p. 613.

<sup>96</sup> Korea in general was experiencing foreign exchange problems at this time. See "Part C-IV: Economic Relations," pp. 187-191.

<sup>97</sup> Ibid., pp. 211-214.

<sup>98</sup> KI-4, appendix 4-B, p. 561.

Further, the statement in the letter to the effect that "his services will be required for all of our rice trade with the United States in the future" precludes Mr. Park from qualifying as a "bona fide" sales agent.<sup>99</sup>

Subsequently, representatives of the Export Marketing Service of USDA conveyed their concerns to Tongsun Park and he withdrew as sales agent.

Despite Park's withdrawal, the Inspector General of USDA was asked to conduct an investigation to determine if he was connected with the Korean Government, because:

We are concerned about some aspects of the rice buying practices of the Office of Supply Republic of Korea (OSROK), under title I, Public Law 480, and the anomalous role played by various Korean purchasing agents and "intermediaries."

Although we can offer little or nothing in the way of tangible evidence with which to support the purported irregularities, rumors of them have so persisted that the need to establish the facts is, in our opinion, evident.<sup>100</sup>

USDA investigators once again requested information from the FBI, CIA, and Secret Service on Tongsun Park. As before, the results were negative. Also as before, the requests were made by telephone and for that reason were somewhat perfunctory.<sup>101</sup>

An additional problem faced by the USDA investigators was that Tongsun Park refused to make his records available and USDA did not have the authority to compel him to do so. USDA hoped to get access through IRS, but Tongsun Park was not required to file with IRS because he was not a U.S. citizen and did not spend more than 6 months of each year in the United States. By January 1974, USDA closed the investigation, unable to determine the disposition of Tongsun Park's commissions and whether he was connected to the Korean Government.<sup>102</sup>

In May 1972, there was corroborating information that Tongsun Park had been dropped from the rice deals and that he was falling out of favor with Park Chung Hee; this theme would continue over the next few years. Instead, KCIA Director Lee Hu Rak was allegedly handling the rice transactions personally.

It was further reported that Lee Hu Rak and the Democratic Republican Party finance chairman had pressured the president of Dai Han Nong San (Korean Agricultural Products Co.) to make that company's Washington bank account available for monetary transactions. (It was later revealed by the House Committee on Standards of Official Conduct that this account was used to pay Tongsun Park rice commissions in an indirect manner which was not detected by executive branch officials.)

As a further indication of the Korean Government's involvement in lobbying, in June 1972 the KCIA formed an organization known as the Overseas Public Information Officers Committee, comprised of Cabinet officers, whose stated purpose was to coordinate all ROK public information and propaganda activities abroad.

By October 1972, all the individual repressive measures of the Park regime had been incorporated and formalized in the new Yushin constitution which gave Park Chung Hee virtually unlimit-

<sup>99</sup> Ethics 2, pp. 491 and 503.

<sup>100</sup> KI-4, appendix 4-A, p. 560.

<sup>101</sup> KI-4, pp. 136-137.

<sup>102</sup> KI-4, p. 138.

ed powers. In order to control any adverse reaction to the proclamation of Yushin, Park imposed martial law.

Ambassador Richard Sneider (who served in Seoul from August 1974 to July 1978) testified before the subcommittee that when the Korean Government promulgated Yushin and declared martial law, the U.S. Government did not publicly condemn those actions, but rather made private representations that it would be in the best interests of the ROK Government to lessen its control. The Korean Government was cautioned about possible adverse reactions by Congress and the U.S. public. The Koreans, however, felt justified for domestic reasons in imposing the restrictions. Park Chung Hee's narrow victory in the 1971 election had played no small role in his decision to implement the Yushin constitution which eliminated direct election of the president.<sup>103</sup>

It was reported that Park Chung Hee discussed his concerns regarding possible adverse American reactions to Yushin with some of his high-ranking officials and was assured that the "Korean lobby" in Washington was still effective and that more Koreans with good U.S. contacts had been sent to monitor the American reaction. One adviser reported back that there had been no adverse reaction, and the President began to formulate his plans for the future.

By early November 1972, the reporting indicated that the Koreans were again stepping up their lobbying activities, with increased emphasis on public relations. Two Korean officials, Hong Song Chul and Kim Sang Chin, were to direct a campaign to influence American journalists and officials to support the Yushin changes. Three other individuals identified as "longtime ROK lobbyists in Washington"—Sol Kuk Hwan, Row Chin Hwan, and Kim Won Kyung—were specifically assigned to influence the State Department.

In late 1972, increased efforts by the KCIA to bring more Congressmen to Korea were reported. There, ROK newspapers would interview them and use quotes to demonstrate U.S. support for President Park. Statements on the Yushin system were to be placed in the Congressional Record and then reprinted in the ROK press as further evidence of American support. The KCIA, which was to pay for all these activities, instructed Tongsun Park to arrange visits to Korea by American Congressmen.

Other activities described were a major Korean effort to influence the U.S. Congress, State Department, press, business, and academic communities, and Korean residents in the United States. Again, the stated goals were to achieve favorable reporting in the American and Korean press for the Yushin program, as well as to obtain the backing of Korean residents for the Government. Detailed instructions were sent to Tongsun Park, the ROK Ambassador in Washington, and the KCIA station chief in Washington. Dr. Joungwon Alexander Kim, a researcher at Harvard, was reportedly recalled to Korea and also given instructions to influence U.S. professors and get articles indicating support by American scholars published in American and Korean journals.<sup>104</sup> Hahn Kwang Neun

<sup>103</sup> KI-5, pp. 33-34.

<sup>104</sup> In interviews with subcommittee staff, Kim said that he had gone to Korea at this time but denied that he had received such instructions. Bank records of Choi Hong Tae and Kim

and Kim Chung Hyun, Korean residents in the Washington area, were also recalled and given instructions to split anti-Government residents and collect statements in support of the Park Government. The KCIA station chief in Washington was instructed to infiltrate the Korean residents' association in the Washington area and cause it to moderate its anti-Government attitudes. Both the Ambassador and the station chief were ordered to prevent Kim Dae Jung, the popular opposition leader who had so narrowly lost to Park Chung Hee in the 1971 Presidential election, from meeting with U.S. officials, reporters, and members of Korean residents associations.

This information was considered so significant that it was specifically addressed to the attention of Dr. Kissinger at the White House and Dr. Ray S. Cline at the State Department's Bureau of Intelligence and Research. Neither Kissinger nor Cline remembered the report or any of the events it described.

#### CONTINUING KOREAN GOVERNMENT INFLUENCE EFFORTS

In a series of letters to Ranard,<sup>105</sup> Ambassador Habib communicated his increasing concern about Tongsun Park's activities, particularly with respect to rice transactions (Habib was apparently unaware of USDA's actions) and contacts with certain U.S. Congressmen. In one letter, dated December 18, 1972, the Ambassador commented on a recent conversation with a U.S. Congressman visiting Seoul:

Congressman [deletion] said Mr. Park has been intervening in rice purchasing transactions of the Korean Government by demanding a kick-back of \$2.00 a ton from the shippers in the United States. He asks this fee because he bears impressive credentials from the Korean Government stating that all rice purchases must pass through him. He then holds up rice purchases by the Korean Office of Supply until the rake-off is assured. Mr. [deletion] said he was considering legislation specifically forbidding such commissions.

Mr. [deletion] said his own relationship with Park began several years ago. He had been told that Park was an important person who had to be dealt with because of his influence in regard to U.S.-Korean affairs. In 1971, [deletion] had sent a telegram to the Embassy protesting Park's intervention in rice purchases. I reminded the Congressman that he had also sent a letter to me in the fall of 1971 on the same subject. The Embassy had acted on both of those messages and I had made it clear to the Congressman the last time he was here that he should have nothing to do with the man whose activities were suspect to say the least.

The Congressman said he had accepted Park's hospitality on numerous occasions and had permitted him to assist in the arrangements for his visit to Seoul. He apologized for doing this without my knowledge and said that in the future he would work through the Embassy.

The Congressman said it was essential that Park terminate his present activities in United States Government-financed grain purchases. He has asked for a private session with President Park at which he would raise the subject.<sup>106</sup>

Throughout 1973, the Ambassador continued to express concern about Tongsun Park's involvement in Public Law 480 rice purchases by Korea. That was curious because: (1) in April of 1972, USDA had precluded Park from acting as a sales agent; and (2) from 1972-74, USDA was investigating Tongsun Park to ascertain

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Sang Keun, both KCIA officials of the ROK Embassy in Washington, D.C., indicate that in 1973 and 1974 each of them issued a check to Dr. Kim in the amount of \$500. Dr. Kim did not recall receiving any money from a Korean Embassy official. See also "Part C-V: Education, Informational, and Cultural Activities," p. 310.

<sup>105</sup> KI-5, appendixes 2C-2I, pp. 151-165.

<sup>106</sup> KI-5, Appendixes 2-D, pp. 152-154; deletions made by State Department.

the disposition of the funds Park had received in previous transactions and whether or not he was connected with the Korean Government. The USDA investigators were apparently unaware that Park was continuing in 1973 to be involved in such transactions. In several of his letters, Ambassador Habib indicated his presumption that the State Department was "making this information available as appropriate."<sup>107</sup> The subcommittee was unable to find any indication that State officials communicated their concerns to the appropriate Agriculture Department officials.

By spring 1973, although Tongsun Park was back in President Park's good graces, his troubles with the U.S. Embassy in Seoul were increasing. The Ambassador had instructed embassy staff to have nothing to do with Park. When Park expressed to the political counselor his disturbance at this treatment, he was informed that he would be well-advised to identify himself openly as a lobbyist or to dissociate himself from involvement with American public figures.<sup>108</sup>

In the summer of 1973, Tongsun Park called on Ranard at the State Department. Park wanted to make clear that his George Town Club had nothing to do with politics, although he mentioned that certain Cabinet officers were members.

In a letter to Washington dated August 13, 1973, the Ambassador noted that Tongsun Park had been seen in the company of KCIA Washington station chief Lee Sang Ho who was then in Seoul accompanied by another Washington KCIA officer, Choi Hong Tae.<sup>109</sup> It had earlier been reported that Lee Sang Ho had been sent to Washington particularly because of his close relationship with Tongsun Park and his knowledge of Korean Government influence schemes.

By mid-1973, State Department concern about KCIA harassment of Korean residents in the United States,<sup>110</sup> directed by Lee Sang Ho, had also escalated, particularly as a result of press coverage of two events: the resignation and renunciation of Korean citizenship by Lee Jai Hyon; and the KCIA kidnaping of Kim Dae Jung.<sup>111</sup> An internal State Department memorandum dated August 17, 1973 on the subject of KCIA harassment in the United States said in part:

There are a great many unanswered questions in connection with Kim Dae Jung's abduction from Japan and reemergence in Seoul \* \* \*. One of the disturbing accompaniments has been growing fear among Korean residents here over ROK CIA activities in the United States. The abduction of Kim has heightened these fears and there is a widely held view that ROK CIA agents here were involved in Kim's abduction in Japan.<sup>112</sup>

The memorandum further noted that State had put the ROK mission in Washington "on notice about activities of its CIA" and had requested that the FBI investigate those activities. The memo continued:

We have concluded that while the present ROK CIA chief remains in Washington he will continue to be the source of contention in the Korean community and embarrassment to the U.S. Already he has so abused the terms of his assignment here that we have grounds to request his recall. We have discussed this and other

<sup>107</sup> KI-5, appendix 2-G, p. 158.

<sup>108</sup> KI-5, appendix 2-B, p. 149.

<sup>109</sup> KI-5, appendix 2-G, p. 158, and appendix 3, pp. 172-177.

<sup>110</sup> See "Part C-II: Intelligence Activities and Plans," pp. 93-96.

<sup>111</sup> See "Part B: Review of Korean-American Relations," p. 42.

<sup>112</sup> KI-5, appendix 2-K, p. 166.

possibilities with our own CIA who are also concerned about the implications of ROK CIA activity in the U.S. They are doing some careful thinking about their own relations with [KCIA Director] Lee Hu Rak, and expect to be putting up some thoughts for action directed against him, motivated by concern for internal security in the ROK.

By the end of 1973, following several representations made to the Korean Embassy in Washington, the State Department succeeded in effecting Lee Sang Ho's removal as Washington KCIA station chief. Following similar representations, tentative plans made by the KCIA to increase their numbers in the United States were also temporarily shelved. In Seoul, there was embassy concern over KCIA Director Lee Hu Rak's actions with regard to both Kim Dae Jung's kidnaping and the strong measures taken to control campus unrest, which had included the suspicious death of a teacher. Apparently pursuant to the above memorandum, Park Chong Kyu, head of the Presidential Protective Force and a close adviser to President Park, was informed of U.S. distress with some of Director Lee's actions and was told that such actions were deleterious to Korean-American relations. By December 1973, Lee Hu Rak had been charged with corruption, removed from office, and replaced by the more moderate Shin Jik Soo. Seemingly this was partially due to U.S. representations.<sup>113</sup>

In response to State's request for an investigation of KCIA harassment in the United States, the FBI solicited information from its field offices in Washington, D.C., San Francisco, and New York City, interviewed a few persons who had filed complaints about KCIA harassment and intimidation, and reviewed newspaper articles.<sup>114</sup> The FBI checked only with its own field offices, rather than consulting local police authorities. Most complaints, for example, harassing telephone calls, simple assaults, disorderly conduct, and malicious mischief, are not offenses which are ordinarily brought to the attention of the FBI.

One agent ended up talking to Lee Jai Hyon as a result of interviewing Lee Keun Pal, a complainant. Lee Jai Hyon, who had only recently resigned from the Korean Government, had received wide press coverage because of his position and statements that he feared retaliation by the KCIA. The FBI agent spoke with Lee Jai Hyon several times but was apparently unaware of his prominence. He uncovered none of the information that Lee later provided this subcommittee in June 1975—specifically, the nine-point plan by which the Korean Government, through the KCIA, was to influence U.S. opinion and harass and intimidate Koreans residing in the United States.<sup>115</sup> In interviews with subcommittee staff, Lee stated that he had spoken with the FBI agent at least three, and possibly more, times in the fall of 1973, each time attempting to impress upon the agent, in a general fashion, the importance of the Korean Government's nine-point plan. The agent did not file a report describing these conversations.

In February 1974, two FBI agents meeting with Ranard in connection with the investigation of KCIA harassment told him that no investigation of Korean diplomats could be conducted without

<sup>113</sup> After an unsuccessful attempt to obtain a visa to enter the United States, Lee traveled in Europe and eventually returned to Korea.

<sup>114</sup> See appendixes C-72—C-81.

<sup>115</sup> See "Part C-II: Intelligence Activities and Plans," pp. 96-97, for more details on Lee Jai Hyon's testimony.

express written State Department approval. According to the FBI memorandum of the conversation,<sup>116</sup> Ranard informed them that State had succeeded in having two KCIA men in Washington recalled and expressed appreciation for the Bureau's efforts. The FBI filed reports on the interviews it had had and contemplated no further action. State apparently did not authorize investigation of any diplomats. The subcommittee was unable to find any evidence of further concern by the executive branch about harassment.

By late 1973, the KCIA was facing serious financial and manpower problems in the United States. Increasing official U.S. Government recognition of their activities had led to a number of representations about the KCIA in the United States and the KCIA director himself. These factors caused the KCIA to curtail for a time some actions planned for the United States, including the assignment of additional personnel.

In December 1973, at the time Lee Hu Rak was removed as KCIA director, he and several associates were allegedly being investigated for large-scale corruption. The investigation had probably been initiated by Park Chong Kyu, a long-time enemy of Lee. The KCIA under Lee Hu Rak had been manipulating business firms to raise funds for KCIA management and covert operations; much of the money raised had allegedly also gone to Lee Hu Rak personally. Reportedly several businesses were under KCIA control, one of which has been identified previously as a vehicle for paying rice commissions to Tongsun Park.

By mid-1974, the new KCIA director, Shin Jik Soo, had shelved all KCIA connections with businesses. The resulting shortage of funds caused Shin to institute austerity programs, reportedly ordering cutbacks in agents overseas.

One of the elements mentioned in the Blue House meetings held to coordinate influence schemes had been the Research Institute on Korean Affairs of General Kang Young Hoon.<sup>117</sup> In late 1973, it was reported that Kang was receiving KCIA funding to support his institute. By spring 1974, it was reported that the KCIA in Washington was attempting to persuade wealthy Korean businessmen in the United States to act as fronts for KCIA funding of Kang's institute, reported to have reached several tens of thousands of dollars annually.<sup>118</sup>

Kim Sang Keun, a former KCIA officer assigned to the ROK Embassy in Washington from October 1970 to November 1976, testified before the subcommittee on June 6, 1978. His activities as a KCIA officer involved dispensing funds to nondiplomatic representatives of the Korean Government such as Hancho Kim, Kang Young Hoon, Hahn Kwang Neun, and Pak Bo Hi. He stated that he also delivered a substantial sum to Choi Chai Chang.<sup>119</sup> In the case of Hancho Kim, the money was to finance influence activities on behalf of the Korean Government. The money for Kang was to support his institute, Hahn's to support publication of his pro-Government newspaper. According to Pak Bo Hi, the money he received was used to reimburse a Unification Church member for

<sup>116</sup> See FBI memo dated Feb. 8, 1974, appendix C-78.

<sup>117</sup> See also "Part C-V: Educational, Informational, and Cultural Activities," pp. 290-293.

<sup>118</sup> Kim Hyung Wook testified (KI-1, p. 45) that initially Kang was given \$50,000 by the KCIA, and thereafter he received \$20,000 to \$30,000 annually.

<sup>119</sup> See "Part C-II: Intelligence Activities and Plans" for Dr. Choi's explanation, p. 99.

expenses incurred in Korea in making anti-Communist speeches. Kim Sang Keun did not know why the money had gone to Pak and Choi. In all cases the funds came from Yang Doo Won, the real name of Lee Sang Ho who had been station chief in Washington until his recall at the end of 1973.

By mid-1974, in his new position as director of the Office of Security of the KCIA and using his real name, Yang Doo Won was again involved in Washington lobbying. In mid-1974 and again in mid-1975, Yang sent four checks from Tongsun Park totaling \$500,000 to KCIA officer Kim Sang Keun. Kim was directed to disburse those funds, together with other amounts sent him periodically by Yang, to the persons noted above.<sup>120</sup>

The KCIA seemed to be resolving some of its manpower problems by delegating more operational responsibilities to nondiplomatic persons acting on behalf of the ROK Government. One result was to reduce the KCIA's visibility without reducing its activities.

Throughout this period the U.S. Embassy in Korea was still carefully monitoring Tongsun Park's activities in Seoul. In February 1974, the Ambassador wrote two letters to the State Department, both describing Park's continuing interference with congressional delegations. Ambassador Habib restated his admonition that no Embassy personnel were to have anything to do with Park. He noted that he was also conveying these sentiments to visiting Congressmen.<sup>121</sup>

During the spring of 1974, State Department officials received their first indication that Korea was attempting to expand its efforts to the White House. While on a trip to Korea, John Nidecker, a White House aide, was given an envelope just prior to his departure by an aide to Park Chong Kyu. Suspicious because of prior overtures from Row Chin Hwan, a National Assemblyman previously identified as a "longtime ROK lobbyist," and also because of the strict control which his Korean escort had tried to exercise over his visit, Nidecker turned the unopened envelope over to an Embassy aide. Back in Washington, he reported the incident to General Haig and John Froebe at the NSC. He was informed that the contents of the envelope had been \$10,000 in \$100 bills.<sup>122</sup>

State Department documents showed that on May 6, 1974, Ambassador Habib returned the \$10,000 to Park Chong Kyu with a letter stating that Nidecker said the envelope had come from Park Chong Kyu and was to be returned. Subsequently Habib registered an objection directly to Park Chong Kyu.

Nidecker testified that Row Chin Hwan visited him again several times. Once he brought gifts for the President, his family, his personal staff, and staff of the NSC. All were returned. On other occasions, Row wrote that he wanted to bring Park Chong Kyu to the United States and have Nidecker entertain him. Row also made overtures that Nidecker serve as the conduit for campaign contributions to Congressmen and Senators. He wanted to provide \$5,000 to House candidates and up to \$30,000 to Senatorial candidates. Ranard prepared a memorandum on June 5, 1974, documenting a conversation with Nidecker that day. Row had told Nidecker

<sup>120</sup> See "Part C-II: Intelligence Activities and Plans," pp. 98-99.

<sup>121</sup> KI-5, appendixes 2H-2I, pp. 160-163.

<sup>122</sup> See Nidecker testimony, KI-5, pp. 23-26, for more details.

that Korean sources—the inference was the Korean Government—were prepared to make financial contributions to any congressional candidates designated by the White House. Nidecker summarily rejected the offer. Ranard reported it to the Ambassador in Seoul the same day.<sup>123</sup>

Around this time, Hancho Kim began engaging in operations for the Korean Government in Washington, becoming yet another element in the influence activities aimed at Members of Congress and being directed from the top levels of the ROK Government. The subcommittee inferred that Hancho Kim was being groomed as a replacement for Tongsun Park because: (1) Park's funds were being used for the operations of others;<sup>124</sup> and (2) former KCIA Director Kim Hyung Wook testified before the House Committee on Standards of Official Conduct that he had been told by a former subordinate that Hancho Kim was replacing Tongsun Park whose activities had become too obvious and frivolous.<sup>125</sup> From State Department communications, it was evident that in the years 1973 and 1974 Tongsun Park had indeed aroused a great deal of interest on the part of some U.S. officials. His activities, because they were highly visible, had apparently lost their effectiveness.

Although the Washington KCIA station chief was excluded from knowledge of the Tongsun Park and Hancho Kim operations which Yang Doo Won was controlling in Seoul,<sup>126</sup> he was involved in contacts with Sun Myung Moon's Unification Church during 1974-75. On August 15, 1974, Mrs. Park Chung Hee was killed by a Korean resident of Japan. Korean-Japanese relations became strained as the ROK demanded more cooperation from the Japanese Government in investigating the assassin, whom the Korean Government claimed was acting on instructions from North Korea. The KCIA in Seoul sent out directives to its U.S. stations to organize Korean residents in Los Angeles, San Francisco, and Washington, D.C., to demonstrate against Japan on the occasion of Japanese Prime Minister Kakuei Tanaka's visit to the United States. The KCIA chief in Washington contacted Moon to provide demonstrators for the Washington rally. When Ranard learned of the plans for the demonstrations, he protested strongly to the Embassy. In light of this representation, the station chief contacted Seoul and was told to cancel the demonstrations. Moon's demonstrators were already assembling when the station chief prevailed upon Han Sang Gil (Moon's public relations counselor and a former KCIA officer) to call off the rally. The station chief was reportedly in a quandary as to how to explain to Seoul the expenditure of tens of thousands of dollars for aborted demonstrations.<sup>127</sup>

In 1975, the Washington station chief traveled to New York City to discuss with Moon or his subordinates their lobbying activities at the United Nations, about which the Korean mission in New York had received complaints. The subcommittee was not aware of the substance or results of their discussions. However, in late 1975 it was learned that KCIA Director Shin had instructed the Wash-

<sup>123</sup> Various documents supporting Mr. Nidecker's testimony are contained in KI-5, appendixes 1A-1N, pp. 121-145.

<sup>124</sup> See p. 150.

<sup>125</sup> House Ethics 1, p. 119.

<sup>126</sup> See also "Part C-II: Intelligence Activities and Plans," p. 98.

<sup>127</sup> See also "Moon Organization" in "Part C-V: Educational, Informational, and Cultural Activities," pp. 343-345.

ington station chief to cooperate with Moon because he was viewed as a positive element in promoting better Korean-American relations. On a visit to Seoul, the station chief was also directed to concentrate all his resources on lobbying Congress to support ROK objectives and also to back a particular Congressman's election campaign. There were other indications of increased emphasis on influencing various segments of U.S. opinion, including the Congress, the executive branch, the press, academic communities, and Korean residents in the United States.

In 1975, according to executive branch reports, President Park's son-in-law arrived in New York City to take command of all Korean Government public relations efforts in the United States. He was given a budget of tens of thousands of dollars per month for influencing the Congress and constituencies of Members opposed to Korean aid, as well as the press and Korean residents. The KCIA's psychological warfare bureau, newly reorganized, set up a mission in New York to coordinate its activities with his. Although technically he should have been subject to the direction of Korea's ambassadors in Washington and at the New York Consulate, in practice he was given total control of Korean influence activities in the United States. This factor caused immense friction with the career diplomats.

Former KCIA Director Kim Hyung Wook testified that Han Byung Ki, a son-in-law of Park Chung Hee, told him that he was in charge of all Korean public relations activities in the United States.<sup>128</sup> The subcommittee also established that in September 1975 Ambassador Han Byung Ki encouraged a Korean national employed by Gulf Oil Co. to obtain a leave of absence from his job to direct the activities of the American-Korean Cultural Society, Inc. This organization was under the "jurisdiction" of Ambassador Han and was formed to develop and promote American public interest in Korean culture. However, in reality the organization was being used by Han to develop positive and sympathetic American opinion for President Park's regime.<sup>129</sup>

The assignment of President Park's son-in-law to the United States to handle such a crucial job was an indication of yet another attempt by the Blue House to coordinate and control the disparate ROK influence activities in the United States, an attempt which had begun with the 1970 Blue House meetings. As has been seen, the attempts were never successful. The various factions and power groups surrounding the President—the KCIA, the Prime Minister's group, and the Presidential Protective Force—were constantly vying for position, the result of tangled motives of patriotism, personal prestige and profit, and loyalty to the President.

#### THE JUSTICE DEPARTMENT'S BRIBERY INVESTIGATION

In the fall of 1974, Philip Habib became Assistant Secretary of State for East Asian and Pacific Affairs, after having served as Ambassador to the Republic of Korea since 1971. At the time of his return to the State Department, the ROK Government had been expressing deep concern to executive branch officials and Members of Congress and their aides over hearings on human rights in

<sup>128</sup> See KI-7.

<sup>129</sup> See appendixes C-82, C-83.

South Korea being held by the Subcommittee on International Organizations and the Subcommittee on Asian and Pacific Affairs.<sup>130</sup> Shortly thereafter, in December, Congress reduced military assistance to South Korea by \$90 million because of the ROK Government's human rights record.

In early February 1975, intelligence information came to the Assistant Secretary's attention concerning KCIA attempts to influence the opinions of key Americans. He showed it to Secretary of State Kissinger, who in 1978 told the subcommittee that the information—

\* \* \* indicated that there might be some attempt not to lobby but to bribe Congressmen. \* \* \* I took it to the President. The President asked me whether the information was conclusive, and I told him it did not seem to be. He asked me to watch it, and when we had further information, to come back to him.<sup>131</sup>

In late October 1975, Habib obtained intelligence information of a more precise nature, which Kissinger then discussed with the President. Although the intelligence community was reluctant to have the information turned over to investigative agencies, the President ordered that it be made available to them. Pursuant to his orders, Assistant Secretary Habib, accompanied by State Department Legal Adviser Monroe Leigh, delivered the information to Acting Attorney General Robert Bork in mid-November.

At the Department of Justice, the Foreign Agents Registration Section was continuing its efforts to determine whether Tongsun Park should be required to register as an agent of the Korean Government. Justice's investigation of Korean bribery and payoffs became full-scale in mid-1976 when the newly created Public Integrity Section took over the investigative files developed by the Registration Section and the intelligence information transmitted by the State Department. As of October 1978, the investigation had resulted in five indictments and two convictions.<sup>132</sup> Tongsun Park was indicted on September 6, 1977, and later was granted immunity from prosecution in return for cooperation with the investigation. Another Korean agent of influence, Hancho Kim, was indicted on September 27, 1977, and convicted on April 8, 1978. Former Congressman Richard Hanna was indicted on September 6, 1977. After entering a partial plea of guilty, he was sentenced to 6-30 months in prison on April 25, 1978. Former Congressman Otto Passman was indicted on February 6, 1978, and Grover Connell, a rice dealer, was indicted on May 25, 1978. Passman and Connell were still awaiting trial in October 1978.

## CONCLUSION

By the end of 1971, agencies of the executive branch had sufficient information to warrant taking steps to alter certain questionable conduct by Korean Government officials and agents. The State

<sup>130</sup> "Human Rights in South Korea: Implications for U.S. Policy," hearings before the Subcommittees on Asian and Pacific Affairs and on International Organizations and Movements of the Committee on Foreign Affairs, 93d Cong., 2d sess., July 30, Aug. 5, and Dec. 20, 1974.

<sup>131</sup> KI-4, p. 247.

<sup>132</sup> Crimes charged variously in the indictments were bribery, conspiracy, violation of the Foreign Agents Registration Act, accepting illegal gratuities, mail fraud, political contributions by a foreign agent, making false declarations to a grand jury, income tax evasion, and racketeer-influences and corrupt organizations.

Department and the U.S. Embassy in Seoul regarded Tongsun Park as an unregistered Government agent, a nuisance counterproductive to normal government-to-government relations who was offering gifts of cash to Congressmen. Both the Department and the Embassy presumed he was connected with the KCIA. State believed that Radio of Free Asia was controlled by the KCIA and that it was using financial contributions from Americans for unknown purposes, since broadcast facilities apparently were provided free of charge by the Korean Government. Because Radio of Free Asia's sponsors included prominent Americans, the Department was worried about the possibility of a scandal. State had some indication that Kim Kwang, an aide to Congressman Neil Gallagher, was a KCIA agent reporting on the activities of Gallagher's subcommittee. Officials at State also suspected that Suzi Park Thomson, an aide to Speaker Carl Albert, was working for the KCIA.

The FBI had information that convinced its own officials that "criminal activities are strongly indicated,"<sup>133</sup> that a KCIA agent working as a Congressman's aide had made a "payoff" to the Congressman; that Tongsun Park had made payments to a Congressman from money received in rice deals; that a Congressman had sought campaign contributions from President Park and had recommended that Tongsun Park not only be put in charge of all lobbying and influence efforts in the United States, but also should be named chief ROK agent for rice purchases from the United States.

No effective action was taken to deal with any of these reported activities. When the State Department asked the Department of Justice to investigate Radio of Free Asia, Tongsun Park, and other Korean matters, Justice and the FBI did no more than interview the head of Radio of Free Asia and run a file check before closing the case. According to Ambassador Porter, the problems caused by Tongsun Park had reached "serious dimensions,"<sup>134</sup> and he complained to ROK Government leaders. However, as Tongsun Park's activities continued undeterred, the problem was not given attention at the top level of the State Department. Officials at State were under the impression that the FBI was investigating Kim Kwang in 1971 when in fact the FBI was not.

With respect to the FBI's information indicating criminal activity, Director J. Edgar Hoover favored instituting a national security intercept in the matter of the alleged bribery of a Congressman by a KCIA agent. The subcommittee found no evidence of the idea being pursued further. Hoover sent the information indicating criminal activity to Attorney General Mitchell and National Security Adviser Kissinger, but with a statement that the "information is extremely sensitive and such as to preclude any investigation whatsoever."<sup>135</sup> Accordingly, neither Mitchell nor Kissinger took action, other than Mitchell's informing Speaker Albert about the report on Albert's aide. According to Albert, the Attorney General and he agreed that there was no cause to dismiss the aide, Suzi

<sup>133</sup> KI-4, appendix 3-H, p. 558.

<sup>134</sup> KI-4, p. 69.

<sup>135</sup> KI-4, appendix 3-G, p. 557.

Park Thomson, because she did not have access to classified material.

The failure to share information among executive branch agencies accounts partly for the failure to take effective action regarding questionable Korean activities. When the Department of Agriculture queried the appropriate agencies to determine if Tongsun Park was connected with the ROK Government at a time when he was to become a selling agent for rice deals under the Food for Peace program, the reply was in the negative. This was despite the fact that the agencies had information strongly indicating that Tongsun Park was working with the KCIA. When the State Department asked Justice to investigate Radio of Free Asia, Tongsun Park, and other matters in 1971, Justice applied the "third agency" rule and failed to provide the FBI with State's information that Tongsun Park had offered money to Congressmen. Justice, for its own part, did nothing with that information. Donald Ranard, the State Department's Director of Korean Affairs, was cut off from information about KCIA operative Kim Kwang, whose work with Congressman Gallagher's subcommittee could have had a direct bearing on matters of concern to Ranard's office.

Priorities established at the highest level of the U.S. Government resulted in insufficient attention to lower-priority matters by senior officials. Subordinates, responding to the priority concerns of their superiors, usually paid scant attention to periodic intelligence reports about Korean influence plans and activities. Since officials at all levels were busy with other matters, a cumulative record was not maintained. A record would have shown a pattern of growing and interrelated activities. Donald Ranard did compile a list of some of the suspicious activities in connection with State's request for an investigation in 1971, but Justice failed to take advantage of the information.

Forceful measures against ROK influence activities would have run counter to the primary concern of U.S. policy toward South Korea in the early 1970's: participation by Korean forces in the Vietnam war. In addition, there were related priority concerns: to accomplish the reduction of U.S. troops in Korea with minimum adverse consequences to Korean-American relations; and to maintain credibility for the U.S. position in Korea as a firm commitment to resist the threat of Communist aggression. Preoccupation with these concerns led to a permissive attitude toward questionable Korean activities in the United States.

Ambassador Porter recalled how the situation appeared to him from Seoul:

I sensed a good deal of permissiveness \* \* \* I think there was at least one case referred to Justice \* \* \* and nothing ever seemed to happen. The Congress was certainly aware of its contacts, or a lot of contacts with people like Tongsun Park \* \* \* I assumed \* \* \* the lack of reaction from Washington where it was all happening right here in our front yard \* \* \* was due to a lack of desire to make things difficult for an ally who was contributing so much to the Vietnam effort.<sup>156</sup>

The State Department, a policy agency with the least amount of information indicating criminal activity, consistently took the most initiative for action against Korean influence activities. The Justice Department, a law enforcement agency with the most information

<sup>156</sup> KI-4, p. 60.

indicating criminal activity, took the least initiative. Prior to 1975, the only decisive action taken was that of the State Department when it requested the recall of KCIA station chief Yang Doo Won in 1973 for harassment of Koreans in the United States. A request by State to Justice for an investigation brought only perfunctory action. After Yang departed the United States, harassment as well as other improper KCIA activities continued. In 1975, the chairman of the Subcommittee on International Organizations asked Justice to investigate a former Korean diplomat's allegation of a nine-point KCIA plan to buy support in the United States. The Justice Department took no active interest in the matter, so the subcommittee began an inquiry which led to the Investigation of Korean-American Relations.

It was only when concern was elevated to the level of the President and the Secretary of State that Justice undertook a full-scale investigation. Again, the initiative came from the State Department, specifically from Philip Habib, Assistant Secretary for East Asian and Pacific Affairs. As Ambassador to Korea from 1971 to 1974, Habib had become increasingly suspicious about the way Korean officials were attempting to influence Americans. His annoyance over Tongsun Park's activities led to an order that Embassy personnel have nothing to do with Park. Park Chong Kyu's gift of \$10,000 to a White House aide was returned and followed with a strong remonstrance from Habib. After he returned to the United States amid heightened Korean influence activities in Congress over a reduction in military assistance and criticism of human rights violation, Habib requested intelligence information. What he received in February 1975 was of a more specific nature than anything he had seen previously, strongly implying attempts to bribe Congressmen. He immediately took the information to Secretary of State Kissinger. In 1971, Kissinger had known of an alleged bribery of a Congressman by the KCIA, but this was the first intelligence he had seen alleging bribery of more than one. Kissinger brought the matter to President Ford's attention. Since the information was not conclusive, the President asked for further information. In October, when Habib received intelligence which was much more definite, the President ordered that it be turned over to the Attorney General.

Even after the Korean bribery investigation was well underway, there was continuing reluctance by the Department of Justice to look into questions of improper activities involving the Korean Government. In 1976, Under Secretary of State Habib requested an investigation by Justice to determine whether Rev. Sun Myung Moon, Pak Bo Hi, and several of the organizations associated with Moon, should be required to register under the Foreign Agents Registration Act. Justice refused to investigate, citing the absence of prima facie evidence that the Unification Church is not a bona fide religious organization. The refusal noted also that the 1971 investigation of Radio of Free Asia, requested by State, had concluded with insufficient evidence to establish that Radio of Free Asia was an agent of a foreign principal.

The decision of Justice not to investigate Moon's activities in 1976 was based partly on the results of a pro forma investigation in 1971 when decisions were made not to investigate strong indica-

tions of criminal activity by persons involved in the Korean Government's influence campaign. A serious pursuit of those indications could have forestalled the scandal 5 years later. It is significant that in 1975 Assistant Secretary Habib—unaware of the earlier information—acted on information alleging criminal activity which was not more serious than that which was known by the Justice Department in 1971.

#### RECOMMENDATIONS

In addition to monitoring the activities in the United States of the intelligence services of unfriendly countries, appropriate agencies should monitor more closely the activities of other intelligence services which may present special problems for the United States. Current lists of all foreign intelligence officials assigned to the United States should be maintained. The Justice Department should take steps necessary for the effective enforcement of the Foreign Agents Registration Act, as well as other related statutes such as 50 U.S.C. 851-857. The State Department should be prepared to act firmly whenever activities by foreign intelligence services appear to violate U.S. laws.

To assist the Director of Central Intelligence in transmitting classified information to the Justice Department, there should be created within the Justice Department a mechanism for the routine receipt and appropriate handling of such information.

The Department of Justice and the Federal Bureau of Investigation should be treated as one agency for purposes of the "third agency rule," which prevents a third agency from receiving from a second agency classified information originally obtained from another agency.

If during the normal course of operations the Director of Central Intelligence becomes aware that Members of Congress or members of congressional staffs have been contacted or designated for contact by persons known to be or suspected of being foreign intelligence officers or unregistered foreign agents, such information should be made available to the leadership and the Select Committee on Intelligence of the appropriate House of Congress.

Written statements or articles provided to Members of Congress by foreign governments, agents of foreign governments, or by Americans acting on their behalf, should be identified as such when placed in the Congressional Record or in the records of congressional hearings.

The State Department should enter into negotiations with the Republic of Korea for a formal extradition treaty with this country.

## IV. ECONOMIC RELATIONS

## INTRODUCTION

The subcommittee's authorization to investigate Korean-American economic relations resulted in part from specific allegations relating to payments made by U.S. businesses to ROK Government officials and the questionable uses to which they were put. There were also allegations of irregularities in the administration of the U.S. Public Law 480 program.

However, Korean-American economic relations had significance beyond allegations of wrongdoing. Since 1961, Korea evolved from an extremely poor country almost entirely dependent on U.S. economic assistance to a developed trading nation whose actions now affect the economies of many other nations, including the United States. The subcommittee therefore looked at the U.S. role in that development: How the United States helped to shape the Korean economy through advice and over \$4 billion in grants and loans, made available since the Korean war.

A study of the U.S. role necessitated an investigation of the following executive branch agencies which provided assistance: The Agency for International Development (AID), a branch of the State Department; the U.S. Department of Agriculture (USDA); and the Department of Defense, whose military programs had a major impact on the Korean economy. To put the study in perspective, the subcommittee looked at the U.S. role in relation to Korean economic programs and the activities of other nations and multilateral lending institutions.

The primary role in U.S. economic assistance was played by AID, which provided grants, loans, technical assistance, and advice. AID worked within the long-term U.S. strategy of having Korea support the cost of its own defense. AID's principal function was to administer a set of programs designed to develop Korea to the point of self-sufficiency. It was always recognized that the mark of AID's success would be its ability to "get out of the aid business" in Korea. AID also pursued a subsidiary goal of equitable development for all social sectors in order to insure economic stability in the long run.

Ultimately, AID was able to wind down its assistance programs. In the early 1960's, AID assistance had been essential to the continued functioning of the economy, but by the 1970's the agency's role was primarily advisory. Even by the mid-1960's the economy had been strengthened to the point where Korea required relatively little grant assistance and could support the expense of loan programs from the United States and other international commercial and government sources.

The subcommittee found, however, that while AID had been able to promote industrial economic development efficiently, it provided fewer funds for improving the social infrastructure. In addition, throughout the 1960's and 1970's, AID's leverage, which was based on the potential for withholding assistance, was used primarily to encourage fiscal and monetary reforms rather than social or political changes.

The subcommittee also concluded that in the late 1960's and in the 1970's, the Public Law 480 program was not as rationally or objectively implemented as were other programs for economic development. The levels of Public Law 480 assistance were subject to a variety of influences: The Nixon administration's wish that Korea restrain its textile exports, the Defense Department's interest in providing support for the Korean military budget, and the desire of certain Congressmen to sell, and of Korean Government officials to buy, large quantities of rice. Due to these factors, the Public Law 480 program could not be used to support AID's goal of reducing assistance and making Korea self-sufficient. Korea received more Public Law 480 assistance than was necessary, which some analysts believe might have retarded its agricultural development.

The U.S. military's policy of building the Korean defense capability also affected U.S. economic assistance. The Korean Government, with U.S. approval, was able to use the proceeds from the sale of U.S. assistance commodities in Korea to support its military budget. From the end of the Korean war through the early 1960's, it was understood that U.S. economic assistance would provide two-thirds of the ROK defense budget. In the mid- to late-1960's, as the Korean economy expanded rapidly, this ratio could no longer be maintained. The reduction and changes in the nature of economic assistance were not easily accepted by the Korean Government or the U.S. military, both of whom had a strong interest in U.S. economic assistance, and led to certain distortions in the economic assistance program in the 1970's.

Expenditures by the U.S. forces in Korea and the military compensation and assistance programs administered by the Department of Defense have amounted to about \$7 billion from 1960 through 1977.<sup>1</sup> The subcommittee studied the effects of U.S. military grant and credit assistance, expenditures by U.S. forces, and U.S. compensation for Korean troops in Vietnam. In the 1960's, these programs were substantial factors in Korea's economic growth. By the 1970's, however, Korea reluctantly but successfully accepted a greater share of its defense burden.

Finally, as the Korean economy developed, the United States played a greater role as trading partner, and U.S. private trade and investment had a major impact on the economy. The subcommittee studied this role and investigated the use to which both countries put U.S. trade and investment equity in Korea.

#### THE KOREAN ECONOMY: 1945-61

Thirty-five years of colonial rule and the division of the peninsula after World War II left South Korea with an extremely weak economy. Most of the natural resources, hydroelectric power, and industry were in the northern half of the peninsula and thus were lost to South Korea. The south was also left with only 10 percent of the industrial assets and an agricultural economy limited in size and potential, yet it had to provide for three-fifths of the peninsu-

<sup>1</sup> This figure includes the \$1.5 billion in grants and loans under the 1971 modernization program, an average of about \$200 million per year under the MAP program from 1960 to 1971, about \$1 billion in Vietnam-related earnings, and an average of about \$180 million per year from U.S. forces' expenditures.

la's population. Further, the fertilizer production capability was in the north. Under these conditions and in the absence of any relationship with Japan, Korea became dependent on the United States for its survival and economic recovery. Between 1945 and 1948, the U.S. Army military government, which administered South Korea, provided more than \$500 million in assistance, 90 percent of which was in the form of relief—clothing, fuel, fertilizer, and food—with only 10 percent for economic development.

The Korean war reversed what little economic progress had been made since the end of World War II. It also had a major impact on the nature of U.S. assistance to Korea. In addition to the massive aid required for recovery, the U.S. contribution for defense skyrocketed. The 100,000-man Korean constabulary force was expanded into a 600,000-man army, making U.S. assistance even more crucial.

Following the war, President Eisenhower sent a mission to study the future U.S. role in Korean economic recovery. It recommended a major bilateral assistance program. As a result, between 1953 and 1962, U.S. assistance to Korea averaged more than \$200 million per year, with a peak of \$368.8 million in 1957. Postwar assistance was directed primarily toward relief, with the objective of rebuilding the infrastructure of the Korean economy and developing a sound economic system which would permit the United States to reduce aid in the future.

President Syngman Rhee, who took office in 1948, was convinced that the first step toward economic self-sufficiency had to be reunification of the peninsula. Consequently, the Koreans gave little consideration to the economic development of South Korea as such, beyond basic reconstruction of damage from the Korean war. Rhee's primary interest was in getting the most U.S. assistance possible, and he was not above exaggerating Korea's poverty to do so. Widespread economic corruption under his administration eroded the effectiveness of U.S. assistance, and Korea became known as the "rat hole of AID": dollars poured in with few visible results. Growing dissatisfaction with the slow pace of economic progress was a factor in the student demonstrations and the overthrow of Rhee in 1960.

At the time of the military coup in 1961, the legacy of Rhee's ineffective policies—a legacy which the short-lived Chang Myon administration had been unable to overcome—was an extremely poor and weak economy. Earnings from exports of goods in 1960 were about \$33 million, which meant that funds for investment were scarce. Per capita GNP was only \$90.<sup>2</sup> With tax collection inefficient, Government revenues and investments were therefore minimal. Maintaining the large defense establishment was a constant drain on resources. Double-digit inflation and low interest rates at savings institutions provided little incentive to save, and the banking system was weak.

In addition to these problems, the Rhee Government had allowed, and often fostered, inordinate use of credit, with little regard to investment priorities and the creditworthiness of borrowers. The economy had been subject to a wide variety of Govern-

<sup>2</sup> Brown, Gilbert T., *Korean Pricing Policies and Economic Development in the 1960's* (Baltimore: Johns Hopkins University Press, 1973), pp. 296-297.

ment controls which limited the development of free market forces and contributed to instability in portions of the industrial sector. Several large, Government-owned enterprises suffered from poor management and uneconomical rate structures. In the foreign sector, there was a large balance of payments gap, supportable only because of U.S. aid. Capping all this was the persistent lack of confidence of the Koreans in their economic future, which discouraged long-term investments.<sup>3</sup>

At the same time, there were some positive economic factors. Land reform in the 1950's had left the rural sector politically stable, although poor. Industrial capacity had developed during the 1950's and, although directed toward an inefficient strategy of import substitution, could be converted to more efficient use. Korean business and government managers had gained in experience, especially after the end of Japanese rule. Most important, the Korean people themselves, hardworking, educated, and disciplined, represented a great but untapped resource. For the most part, however, these positive elements were latent and were overshadowed by Korea's economic difficulties.

#### KOREAN-AMERICAN ECONOMIC RELATIONS: 1961-63

When Park Chung Hee came to power in 1961, economic policies were changed. Rather than focusing on reunification as a prerequisite for economic success, Park was to adopt a long-range strategy of developing an independent economy. He looked on economic progress as the cornerstone of his political legitimacy and the key to public support. Economic growth would enable his Government to fulfill another goal: To move away from dependency on the United States and toward a self-sufficient national economy.

The Park Government issued the First Five-Year Plan (FFYP) in January 1962; it was built on a plan of the Chang Myon Government that had never been implemented. The goals were poorly defined and overly ambitious, but the plan did establish some national objectives and led the Government to take a number of positive actions. For example, through a very high rate of monetary expansion, the FFYP called for increased capital formation and decreased dependence on foreign assistance.<sup>4</sup>

The plan was never carefully followed: droughts, high inflation, financial scandals, and the need to consolidate political power intervened. Nonetheless, the period of military rule saw some definite improvements in economic conditions, especially by 1963. Park brought many professionals into the economic planning process. Projections of the FFYP were revised downward to realistic levels, and the Government showed greater concern with financial stability after the bout of high inflation which resulted from the monetary expansion of 1961 and 1962. With the concurrence of AID, Park concluded that an import substitution strategy was not in Korea's long-term interests. Economic success could be better achieved by pursuing an export-led economy based on labor-intensive industries which would use the substantial numbers of unem-

<sup>3</sup> AID Korea, FY 1967, country assistance program, Part I, September 1965, p. CASS-2.

<sup>4</sup> Adelman, Irma, *Practical Approaches to Development Planning: Korea's Second Five-Year Plan*, (Baltimore: Johns Hopkins Press, 1969), p. 4.

ployed and underemployed workers.<sup>5</sup> This strategy, along with the implementation of some AID-inspired reforms, led to a more than doubling of export earnings—to about \$80 million—and a 17.7 percent increase in domestic revenues in the period 1961 to 1963.<sup>6</sup>

### *U.S. assistance in the 1960's*

Before proceeding with a discussion of Korean-American economic relations in the 1960's, it is useful to look at the nature of U.S. economic assistance programs at that time.

1. *Security supporting assistance* (commonly called supporting assistance).—This program provided assistance in the form of grants, to be used to import U.S. commodities needed for the developing industries. The Korean Government sold the commodities on the domestic market and used the *won* generated to support its armed forces. Proceeds from the sales of these and Public Law 480 commodities (see below) supported 96 percent of the military budget in 1960.

This program was reduced from \$176 million in 1961 to \$20 million in 1969 and was ended in 1971.

2. *Development loans*.—These loans were used mainly for infrastructure and power and transportation facilities, but also for industries and small and medium businesses. Loan applications from the Korean Government were analyzed by AID for feasibility and to determine the potential for national economic benefit (this process provided AID with means of influencing the kind of development Korea pursued). The loans were long-term (40 years) and low-interest (a maximum of 2.5 percent). They were generally made to the Government, which in turn often reloaned the funds. AID retained the right to approve how the ultimate borrower used the funds and could impose certain requirements. As grant supporting assistance declined, development loans were increased, although they, too, decreased in the late 1960's. Both the grant and loan programs benefited U.S. commodity suppliers, since assistance was "tied" to Korean purchase of U.S. commodities.

3. *Technical assistance*.—This was a small program relative to overall assistance funding, but was important in establishing Korean economic independence in the long term. It was designed to provide technical advice on a variety of projects ranging from training of economists and the staff of industrial, agricultural, and scientific organizations to vocational and higher education projects and export promotion. It averaged about \$8 million per year.

4. *Public Law 480*.—Food for Peace was a USDA program authorized in 1954 and administered in Korea by AID, although AID did not have control over setting program levels.<sup>7</sup> It consisted of four titles, two of which, discussed below, provided significant funds to Korea.

Under title I, the U.S. Government would buy U.S. agricultural commodities and sell them on a long-term, easy-credit basis to the Korean Government. The Government then sold the commodities on the domestic market for local currency. Until 1966, payment to the United States could be in local currency, which helped Korea

<sup>5</sup> Draft of NSC Task Force Report on Korea, June 12, 1961; see appendix C-4.

<sup>6</sup> *Op. cit.*, Brown, pp. 134 and 54.

<sup>7</sup> See pp. 207-215 of this section for more detail on Public Law 480.

maintain its scarce foreign exchange reserves. Amendments to Public Law 480 in 1966 called for a transition to dollar sales by December 31, 1971.

The local currency generated by sales was used in one of three ways:

(1) For country use: For Korea's use, largely for military budget support.

(2) For United States use: For U.S. Government needs in local currency.

(3) For Cooley loans: Funds for U.S. businesses in Korea.

Throughout the 1960's, most local currency was used to support the military budget.<sup>8</sup> However, in 1966 Congress legislated that the "country-use" funds could not be used for this purpose after 1971. While direct use for military budget support did end at that time, indirect use did not.<sup>9</sup>

Title II provided for donations used in the 1960's primarily for economic self-help programs in the general area of rural development. The largest use was for employment of civilians on rural "Food for Work" projects such as bench-terracing and land reclamation. Title II was "to serve as the U.S. Government's major people to people program" and to give U.S. assistance higher public visibility than did development loans and supporting assistance.<sup>10</sup>

Because Public Law 480 proceeds were used for military budget support, the levels were of interest to the U.S. military. One AID Administrator felt Public Law 480 was never fully separated from military budget support and the development goal was never clearly established.<sup>11</sup>

Actual levels of assistance, by program, are shown in the following table:

FUNDS PROVIDED UNDER ALL ECONOMIC ASSISTANCE PROGRAMS—1961 TO 1969

[In millions of dollars]

	1961	1962	1963	1964	1965	1966	1967	1968	1969
Supporting assistance .....	176	93	92	75	71	60	45	30	20
Development loans (authorized) .....	3	23	28	29	49	80	61	30	20
Public Law 480, titles I and II .....	44	59	90	81	73	55	73	75	186
Technical assistance .....	11	11	5	3	3	5	9	6	5
Totals .....	261	207	230	208	191	252	178	180	220

Sources: "AID Program Memorandum 1970" and "AID Country Field Submission, 1971," U.S. Food for Peace Office and USDA.

The changes in levels of assistance by program and in relation to one another can be seen from the following chart derived from the above table.

<sup>8</sup> U.S. Embassy, Seoul message October 1968: "The local currency sales portion of the proposed Public Law 480 program will generate won primarily for use together with SA (supporting assistance) generated won in support of ROK military budget. The proposed size of SA grant program takes into account amounts of local currency to be generated by Public Law 480."

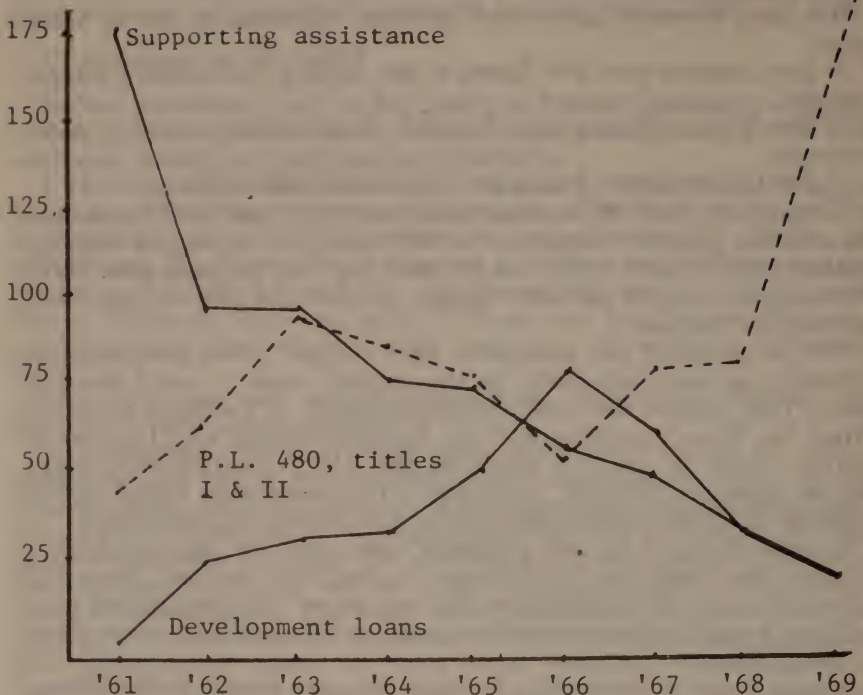
<sup>9</sup> See "Military Assistance in the 1970's" in this section, pp. 203-205.

<sup>10</sup> AID, fiscal year 1969 program memorandum, July 1967, annex F.

<sup>11</sup> AID, Korea, fiscal year 1970 program memorandum, July 1968; AID, Korea, fiscal year 1971 country field submission, August 1969.

## AID PROGRAM\* FUNDS—1961-69

[Millions of dollars]



\*Technical assistance, at a level of \$11 million per year or less, does not appear on the chart.

The Korean economy was also indirectly supported by several of the Defense Department's programs (discussed in detail below). For example, the military assistance program (MAP) provided grant assistance that Korea used to obtain U.S.-approved military equipment. This relieved South Korea from having to spend scarce foreign exchange reserves for military supplies and alleviated the economic burden of defense. Throughout the 1960's, U.S. grant military assistance, including grants of surplus equipment, averaged about \$200 million per year. In 1965, the value of U.S.-granted equipment was twice as much as similar Korean Government defense-related expenditures.<sup>12</sup>

### AID goals: 1961-63

Korea was, as noted, highly dependent on U.S. grant assistance at the beginning of the 1960's. As one AID official put it, "the United States was the only game in town." Grant assistance as a percentage of total imports was 83.6 percent in 1960.<sup>13</sup> Most was used to support the basic functioning of the economy, with little spent for long-term investments.

<sup>12</sup> Cole, David C., and Princeton N. Lyman, *Korean Development: The Interplay of Politics and Economics* (Cambridge: Harvard University Press, 1971), p. 175.

<sup>13</sup> Bank of Korea, *Economic Statistics Yearbook*, 1976.

After the Korean war, the idea behind U.S. aid had been primarily to sustain the Korean economy at a level where the country's defense capabilities could be maintained. With this goal in mind, the AID mission and the Korean Economic Planning Board (EPB) figured the bottom line for maintaining the economy and then set a level of economic assistance.<sup>14</sup> Perforce, that level centered to a large extent on the requirements of the Korean defense budget. It was agreed that the United States would provide two-thirds of the Korean defense budget through economic assistance.

When Park Chung Hee came to power in 1961, a U.S. presidential task force reviewed the Korean economic and political situation and established a series of recommendations and immediate and long-term goals. The White House agreed that the United States would be "prepared to deal on a friendly and cooperative basis with the new regime" and provide the "\$28 million in remaining defense support funds [supporting assistance]" plus "higher levels of assistance to support a National Defense Plan," but only if the "Korean Government enters into and carries out firm and specific commitments for reform." The reforms included fiscal and monetary actions, restructuring the rate systems of the power and transportation industries, and commencing production in already existing factories.<sup>15</sup>

Development assistance, as opposed to the above supporting assistance, would be provided in the future if the Koreans achieved long-range social planning, return to civilian rule, constitutional freedoms for individuals, and anticorruption programs, among other goals.<sup>16</sup>

Thus supporting assistance was to be available immediately, assuming certain economic reforms were undertaken. While social and political reforms were called for, the development assistance tied to those reforms was a promise for the future. From the inception of AID in 1961, a tension existed between two major goals of the agency's economic assistance programs. On one hand, AID's primary goal was to assist the very rapid development of an export-led economy which would then be able to support a large military budget. On the other hand, AID wanted to assure that the growth would proceed in a socially equitable way and in a democratic political environment.

#### *AID/ROK relations: 1961-63*

Although certain economic reforms were undertaken and some progress made in these years, there were differences of approach and attitude between American and Korean planners. James Killen, the first AID mission director in Seoul (1961-64) perceived his role as that of a bargainer representing U.S. interests in opposition to Korea's. In those years, AID opposed the Korean Government's policies of expanding the money supply and felt the Government relied too heavily on U.S. assistance and not enough on its own resources. On the Korean side, the pattern of psychological and economic dependence was ingrained, as was the lack of confidence in Korea's economic future without U.S. assistance. Further,

<sup>14</sup> The EPB is the central economic planning organization of the Korean Government.

<sup>15</sup> Op cit., Draft of NSC Task Force Report, June 12, 1961; see appendix C-4.

<sup>16</sup> Ibid.

Korean planners worried that any increase in national income would generate an equivalent decrease in U.S. assistance. Their concern was particularly great because U.S. economic assistance maintained Korean forces. As a result of these fears and AID's attitude, the relationship was one of constant bartering, with Killen using assistance as leverage for changes the United States favored and his Korean counterparts pushing to extract the maximum possible assistance.

Despite the confrontational nature of Korean-American economic relations during the early post-coup period, the United States was able to get the Korean Government to initiate some economic reforms which proved successful in fostering Korea's future economic development. For example, in 1963, Killen refused to release supporting assistance for 9 months until the Government effected tax reforms to reduce the size of its budget deficit.<sup>17</sup> As a result, tax collection was greatly increased.

#### KOREAN-AMERICAN ECONOMIC RELATIONS: 1964-69

By 1964, the emphasis of both the Republic of Korea Government and AID was on building the basic structures of the economy (light, labor-intensive industries, transportation systems, and power facilities) and on exports. While encouraging agricultural growth to an extent, AID channeled most of its funds into infrastructure and export development.

In 1964, Joel Bernstein replaced Killen as the U.S. AID mission director in Seoul. He finalized changes in AID program policies and encouraged a spirit of cooperation that altered the nature of Korean-American economic relations. These actions had a major impact on Korea's economic development in the rest of the 1960's.

In testimony before the subcommittee, Dr. Bernstein explained that at the time he became Director, the overriding American objectives for improving the Korean economy were incorporated into what became known as the stabilization program. The key ones were: (1) Increased savings through tax collection, interest rate reform, and greater availability of investment funds; (2) greater Korean self-confidence; (3) more growth in exports, in part through the elimination of quantitative import controls and licenses; and (4) reform of the monetary and fiscal structure, especially by tightening the money supply and floating the exchange rate. In addition, the United States wanted Korea to provide small businessmen and farmers better access to credit and technical assistance.<sup>18</sup>

From the outset, Dr. Bernstein adopted a very different approach in negotiating assistance and as a result strongly influenced Korean attitudes. He recognized that the previous adversarial relationship had been detrimental to Korea's perception of itself and the United States. He sought to convince the Koreans that U.S. interests there—strategic and economic—were long term, and that Korea would be able to sustain the progress of the early 1960's. As a result, rather than bargaining over levels of assistance, they

<sup>17</sup> Subcommittee staff interviews.

<sup>18</sup> "Investigation of Korean-American Relations," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 95th Cong., 2d sess., Part 6, July 19 and Aug. 2, 1978 (hereinafter referred to as "KI-6").

came to accept the gradual decline in AID funds and worked with AID to put existing advice and assistance to constructive use. AID continued to use its leverage to promote economic reforms, but the basis of the relationship was more cooperative.

The AID Mission at the time was one of the largest in the world, with experts available in a wide range of technical fields. AID personnel worked in the provinces assisting local governments. There was extensive consultation between AID and the Government, and U.S. planners had full access to Government statistics, information, and intentions. There was a joint review process during which the two sides went over all investments and loans, item by item. In addition, AID and EPB officials met formally on a weekly basis. Dr. Bernstein met frequently with President Park and, as a former AID Administrator said, "tutored" him in economics. The openness and cooperation between the two sides was regarded as "extraordinary."

#### *Korean implementation of the stabilization program*

AID policy and leverage centered around the stabilization program, which, as noted, was designed to reform Korean monetary and fiscal policies and reverse the inflationary impact of the expansionary policies of 1962 and 1963. Stabilization was to be accompanied by a strategy of growth based on export expansion and boosting Korean economic self-confidence so that businessmen would make the necessary risks.

The stabilization program was successfully implemented by the Government during 1964 and 1965, with the close cooperation of U.S. advisers in the technical components of those policies.

An important element in this success was the firm control of economic and fiscal policies exercised by Chang Key Young, Deputy Prime Minister and head of the powerful EPB. Strong centralized economic leadership enabled the Government to undertake some politically unpopular reforms during this period, including devaluation of the won by 90 percent and establishment of a unitary exchange rate. In 1965, the Government allowed the exchange rate to float and began to liberalize import restrictions. Freeing the trade sector was important: economically, it proved the country's ability to sustain the growth in exports and to afford the raw materials necessary to produce goods for exports. Politically, it indicated the government's willingness to dismantle a licensing system that promoted corruption and to provide opportunities for the private sector.<sup>19</sup> In September 1965, the Government—with American advice—raised the bank interest rate to 30 percent in order to increase the level of savings. The policy was clearly successful; they tripled within a year.<sup>20</sup>

At the same time these reforms were being undertaken, each province was given an export target, as were production sectors and many industries.<sup>21</sup> Credit incentives, import privileges, tax benefits, and awards for increasing exports encouraged voluntary

<sup>19</sup> Op. cit. Cole, p. 89.

<sup>20</sup> Ibid., p. 89.

<sup>21</sup> Ibid., p. 91.

export production. This campaign, too, was very successful: Export earnings more than doubled from 1964 to 1966.<sup>22</sup>

As one trade specialist told the subcommittee, the 1964 reform program was a crucial factor in continuing the high rates of export expansion into the later 1960's. She noted, however, that without the successes of the 1961 to 1963 period, it would have been politically difficult for the Government to implement the reforms.

The United States played an important role in the successful pursuit of the stabilization goals, which centered around

verbal representations and discussions with government ministers and senior officials, with leaders of the private sector, with journalists, and in public speeches. The force of this "jaw-boning" was unique in Korea because of the unique U.S. historical role there, and because the arguments were persuasive in the local context.<sup>23</sup>

The U.S. also resorted to leverage, and the release of counterpart funds was made contingent on the ROK Government's success in meeting the goals of the stabilization program.

### *1965: A crucial year in Korean-American relations*

President Park visited Washington in May 1965 to meet with President Johnson.<sup>24</sup> At that meeting, Johnson urged Park to commit Korean troops to fight in Vietnam and also encouraged Park's efforts to normalize relations between Korea and Japan. As a result of the meeting, Johnson committed the United States to deliver \$150 million in development loans. This assistance would help Park convince his countrymen that the U.S. interest in the Normalization Treaty was not to provide an opportunity for United States abandonment of Korea, as was suspected.<sup>25</sup>

The United States wanted Korean forces in Vietnam to demonstrate the solidarity of U.S. allies and their interests in Asia, and partially to relieve the U.S. combat burden. The U.S. interest in normalization of relations between Japan and Korea was both strategic and economic and dated from the post-Korean war period. The United States had long

avored the resolution of differences between its major allies in Asia and [had] a desire to see Korea establish realistic economic relations with neighboring countries.<sup>26</sup>

Normalizing relations with Japan would give Korea another trading partner and would alleviate the U.S. aid burden.

Shortly after his return to Korea, Park took steps to carry out both of President Johnson's urgings. Despite strong opposition within Korea, the Government continued to meet with the Japanese, and in August 1965 the Japanese Normalization Treaty was pushed through the National Assembly. At the same time, the National Assembly also approved the dispatch of troops to Vietnam.

Normalization proved to be of considerable benefit to the Korean economy in both the short and long term. Through it, Korea got \$300 million in commercial credits (raised to \$500 million in 1967),

<sup>22</sup> Bank of Korea, Economic Statistics Yearbook, 1969.

<sup>23</sup> KI-6.

<sup>24</sup> See "Part B: Review of Korean-American Relations," p. 26.

<sup>25</sup> Op. cit., Cole, p. 107.

<sup>26</sup> Op. cit., Cole, p. 290.

to be provided over a 10-year period from 1965 to 1975.<sup>27</sup> In 1965, these commitments were considerable, since Japanese commercial loans comprised the second largest single source of foreign funds coming into Korea.

President Johnson linked the large amount of development loans to the dispatch of Korean troops to Vietnam:

The United States had reiterated, in connection with the recently agreed dispatch of Korean troops to Vietnam, that we would give sympathetic consideration to development loans over and above the \$150 million agreed to between the two Presidents. Thus, the United States is expected to provide substantial amounts of loan financial resources to Korea over the next five years.<sup>28</sup>

These development loans were the first of several Vietnam-related compensation packages (see below).

The \$150 million development loan component of Johnson's commitment marked a turning point in Korean-American relations and a major shift in U.S. thinking. It was a sign of "the successful economic momentum created in Korea since 1962."<sup>29</sup> Although the United States had been moving steadily from grant to loan assistance elsewhere in the world, that policy had been applied only slowly in Korea. In the U.S. Government's view, in the early 1960's the level of economic planning and administration in Korea had not reached the point where the United States could give the ROK much support in the form of loans. Therefore, from 1951 to June 1965, only 15 loans, amounting to \$99.3 million, were authorized. Even while grants were being reduced from 1962 to 1964, loans still were not increased, as can be seen by the figures below:

[In millions of dollars]

U.S. assistance	1962	1963	1964	1965	1966
grants .....	94.6	81.8	77.3	70.7	64.9
loans .....	25.2	25.8	27.6	47.9	79.0

Source: General Accounting Office, "Economic Assistance Provided to Korea by AID," July 16, 1968, p. 5.

The Koreans, with AID's help, designed projects for the development loans in remarkably rapid fashion. From June 1965 to September 1966 alone, an additional 15 loans totaling \$155.6 million were authorized. This sudden injection of capital, in the view of several former AID officials, provided a major spark to Korean development.

In addition to the \$150 million, AID would lend Korea another \$25 million in the following 2 years as a direct result of the 1965 agreement, and other benefits were also related.<sup>30</sup>

### *The Second Five-Year Plan: 1967*

The success of fiscal and monetary reforms, the dramatic growth in exports, the trade liberalization steps, the benefits of normalization of relations with Japan, and the great growth of capital receipts from development loans and from Vietnam-related payments

<sup>27</sup> Frank, Charles R., Kwang Suk Kim, and Larry Westphal, *Foreign Trade Regimes and Economic Development: South Korea*, (New York, National Bureau of Economic Research 1975), p. 106.

<sup>28</sup> AID, Korea, fiscal years 1968-72, program memorandum, revised, May 1966, p. 66.

<sup>29</sup> *Op. cit.*, Cole, p. 90.

<sup>30</sup> Comptroller General of the United States (GAO), "U.S. Agreements with and Assistance to Free World Forces in Southeast Asia Show Need for Improved Reporting," Apr. 24, 1973, p. 66. See also "Korean Troops in Vietnam," this section, pp. 174-177.

all contributed to the optimism expressed by Korea's Second Five-Year Plan (SFYP) for 1967-71. This plan was the first one fully formulated and implemented by the Park Government. It was prepared with considerable cooperation from AID and various American consulting groups. The SFYP emphasized rapid export growth, with more concentration on labor-intensive industries but continued reliance on imported machinery. Because the United States was reducing grant aid, the plan recognized that Korea would need to borrow in order to get the necessary capital. The plan also emphasized increased liberalization of import controls, increased domestic savings, and price stability. The agricultural sector was largely ignored, the major weakness of the plan.

As optimistic as the plan was, most goals were reached 2 years early—by 1969—and consequently were revised upward in several areas.

### *AID's continued impact on stabilization*

The combination of AID loans, Public Law 480 assistance, military aid, and Korean esteem for U.S. advice provided the United States with continued leverage in the later 1960's, even though its assistance was declining and Korean self-sufficiency growing. Leverage was used for "fiscal and monetary stabilization, export promotion, private investment, market liberalization, and management."<sup>31</sup> Absent from the list were social and political reforms.

The U.S. Government particularly wanted reform of monetary policy. The Government's tendency to expand the supply of money, especially at the time of elections, had to be stopped if the persistent problem of inflation was to be cured and private savings encouraged.<sup>32</sup> The United States also continued to push for a realistic exchange rate. While some of the trade reforms it called for were implemented, imports increased sharply in 1968, and the ROK Government placed additional import items on its restricted list.<sup>33</sup>

The interest rate system was also of concern. Although raising the rate from 16 to 30 percent in 1965 greatly increased bank holdings, it created a major problem: It became cheaper to borrow abroad. Borrowing abroad increased rapidly in the late 1960's, and in 1971 the AID mission felt "that Korea's debt service burden will reach the critical level."<sup>34</sup> From 1965 to 1970, total indebtedness increased tenfold. Fortunately, earnings from exports outpaced debt growth through the end of the 1960's, but the debt obligations did become dangerously high in the 1970's.

The Korean Government voiced objections over the "strings attached to aid," but was still "fully aware" that U.S. decisions were "heavily" influenced by performance in relation to the stabilization goals.<sup>35</sup> While U.S. assistance was declining, it was still something Korea did not want to lose.

<sup>31</sup> Op. cit., AID, fiscal year 1968-72 program memorandum, p.1.

<sup>32</sup> Op. cit., AID, fiscal year 1970 program memorandum, p. ii.

<sup>33</sup> Frank, Kim, and Westphal, op. cit., p. 56.

<sup>34</sup> Seoul A-177, May 12, 1971.

<sup>35</sup> U.S. Embassy, Seoul, October 1968.

*the role of other countries and international organizations*

The AID Mission had forecast AID's declining role, and as early as 1965 was contemplating the best ways to involve other nations and private groups, consistent with U.S.-sponsored stabilization policies. The United States had long encouraged international involvement in Korea's development. In 1965, AID planners expressed a desire to:

\* \* \* encourage broader international and private participation in Korean development through a possible Consultative Group [which was organized and] chaired by the IBRD, through bilateral discussions with donor countries, and through contacts with private banking and industrial concerns \* \* \*. The U.S. should also use such instruments as the Consultative Group to convince other nations of the importance of conforming their capital assistance and investment programs to Korea's long-term development needs, including maintenance of stability.<sup>36</sup>

Loans from governments other than the U.S. did increase substantially in this period. From 1966 to 1969, the Government of Japan loaned about \$80 million of the total \$200 million promised under the loan portion of the Property and Claims Agreement of the Normalization Treaty. These funds were used for development of the infrastructure—railroads and communications—and for loans to small industries. West Germany authorized about \$36 million from 1962 to 1969 and another \$20 million in 1969. Loans from other governments amounted to less than \$2 million.<sup>37</sup>

The increase in government loans was paralleled by those from international lending organizations. The World Bank (IBRD) and its associated banks, the International Development Bank (IDA) and International Finance Corporation (IFC), made loans totaling about \$30 million from 1963 to 1967. In 1969, these institutions promised another \$80 million, to be used for an irrigation project, for relending by the Korean Development Finance Corporation, and (through IDA) for vocational and technical training facilities. As noted, under the Property and Claims Agreement of the Normalization Treaty, Japan had agreed to provide \$300 million in commercial credits. In 1967, this was raised to \$500 million. The full amount had been loaned by 1973, two years early. Loans from Germany and other, mostly European countries also increased steadily after 1966. Total commercial borrowing from all countries except the United States went from \$101.7 million in 1966 to \$405.5 million in 1969. Borrowing from U.S. commercial sources rose from \$4 million in 1966 to \$217.3 million in 1969.<sup>38</sup>

The only other country besides the United States to provide significant amounts of grant assistance was Japan. The Property and Claims Agreements of 1965 called for \$300 million over a 10-year period. These grants, amounting to \$30 million per year, made Japan the second largest aid donor in the 1960's. They were used for purchasing construction goods and raw materials for textiles and for developing the fishing industry.

A multilateral source of grant assistance was the United Nations, which provided relatively small amounts for a wide range of projects from agricultural statistics to pest control and educational planning. From 1964 to 1969, about \$18 million was provided.

<sup>36</sup> Op. cit., AID fiscal year 1967 country field submission, p. CASS-4.

<sup>37</sup> Op. cit., AID fiscal year 1971 country field submission, p. 170.

<sup>38</sup> Op. cit., Frank, Kim, and Westphal, p. 103.

The total amount of grants, by major donor from 1964 to 1969 was:

	<i>Million</i>
United States.....	\$334.7
Japan .....	120.0
United Nations.....	18.0
<b>Total .....</b>	<b>472.7</b>

Source: AID program memorandum, 1971.

### AID also promoted U.S. direct private investment:

U.S. buyers and a producers should be encouraged to look at Korea as a source of supply for inexpensive high labor content projects and subcomponents. AID investment guarantees, survey assistance funds, and possible joint AID-private investment enterprise . . . should be utilized to promote increased U.S. private direct equity investment in Korea.<sup>39</sup>

The Korean Government instituted various measures, such as the 1966 amendments to the Foreign Capital Inducement Law of 1960, to encourage investment and facilitate loans for investment. However, its attitude toward direct investment was ambivalent because it feared control by foreigners. For example, for the first few years after the Japanese agreement, the Korean Government discouraged Japanese direct investment. Thus direct foreign investment was slow to develop and amounted to very little in the 1960's (see table below). However, while it made only a small contribution to industrial expansion, it was still important in that it introduced modern technology and marketing and management techniques into Korea.<sup>40</sup>

#### DIRECT INVESTMENTS

[In millions of dollars]

Year	Approvals	Arrivals
1963.....	\$5.4	\$5.5
1964.....	1.1	.6
1965.....	22.3	6.3
1966.....	4.5	14.3
1967.....	24.8	10.0
1968.....	32.8	17.6
1969.....	13.1	3.3
<b>Total.....</b>	<b>105.0</b>	<b>57.6</b>

Source: AID, Country Field Submission, 1971, p. 154.

#### MILITARY ASSISTANCE AND THE ECONOMY IN THE 1960'S

The U.S. role in the Korean economy in the 1960's cannot be addressed without looking at the contribution and role of U.S. military assistance.

American interest in Korea's economic condition had been based on a belief that a stable, militarily strong, and pro-American government in Korea was essential to U.S. strategic interests. Both economic assistance and military assistance were designed to achieve that goal and were mutually supportive. In the early 1960's, economic assistance programs provided much of the sup-

<sup>39</sup> Op. cit., AID, fiscal year 1967 country assistance program, p. CASS-4. Despite these goals, some businessmen felt that the redtape involved in direct investment was a means of discouraging U.S. business in Korea.

<sup>40</sup> Op. cit., AID, fiscal year 1971 country field submission, p. 153.

ort—96 percent for the Korean defense budget, which went large-ly for salaries and benefits. As U.S. assistance declined and the budget grew, the percentage of support declined to 64 percent in 1966 and about 14 percent in 1971.<sup>41</sup> Military assistance programs, in turn, provided for most of Korea's defense hardware, which freed Korea's foreign exchange for other purposes. Spending by U.S. forces in Korea and U.S. compensation for Korean troops in Vietnam also contributed to the growth of the Korean economy. Because of U.S. aid, Korea, with one of the world's largest standing armies, had to spend only 4.6 percent of its GNP on defense in 1968.

### *Military assistance program*

Military assistance was provided primarily through the military assistance program (MAP), administered by the Department of Defense. Two other military channels were: (1) Compensation for Korean troops in Vietnam, and (2) earnings generated by U.S. forces stationed in Korea.

The MAP program consisted of grants which Korea could use to obtain military equipment and supplies services from the United States. In addition, the United States provided surplus defense articles valued at one-third their acquisition costs. From the end of the Korean war through 1971, grant MAP assistance totaled more than \$3 billion and amounted to about \$200 million per year through 1972. The value of surplus articles totaled about \$200 million from 1946 to 1971.<sup>42</sup>

In the early years of the MAP program, the Korean Government used MAP dollars to purchase "operations and maintenance" (O. & M.) items, rather than investing in up-to-date equipment. From 1960 on, the United States tried to get the Government to use MAP dollars to purchase equipment that would modernize its forces and to spend more of its own funds for O. & M. purchases. The MAP transfer program, sporadically implemented in the early 1960's, was designed to accomplish this objective by transferring certain expenditures from MAP to the Korean defense budget.

The MAP transfer program was strongly resisted by the Korean Government, which saw it as a means for the United States to reduce MAP allocations. One senior U.S. military official speculated that the Koreans felt:

When they take \$10 million worth of consumables (O & M) and put it into the won budget, they will automatically get that \$10 million cut from the MAP program.<sup>43</sup>

In 1966, the United States agreed to suspend the MAP transfer program for as long as Korea maintained two divisions in Vietnam. Actually, the program was suspended from 1966 through 1970. The failure to implement the transfer program consistently meant that Korea actually spent few MAP funds in the 1960's to upgrade its forces. Thus the need for the U.S. modernization plan (see below) in 1971 was all the greater.

<sup>41</sup> Op. cit., AID, fiscal year 1969 program memorandum, annex A.

<sup>42</sup> Comptroller General of the United States (GAO), "U.S. Assistance for the Economic Development of the Republic of Korea," July 12, 1973, pp. 57-59.

<sup>43</sup> Subcommittee staff interview.

The value of MAP and the surplus defense articles program to the Korean economy was difficult to determine. It depends on an estimation of what domestic resources Korea would have used to procure or maintain the same or similar items. In the opinion of some, the programs may even have had a negative impact on some aspects of Korea's economy and defense capabilities. For example if Korea had not used MAP dollars to purchase U.S. steel tent pegs and had instead developed a factory to produce them, it would have created employment and also freed U.S. resources for equipment Korea could not manufacture.

Funds accruing from U.S. forces in Korea came from in-country expenditures by troops and from procurement of local goods and services to maintain the troops. Funds were earned from purchases by U.S. personnel and dependents, expenditures in connection with activities that were not supported by U.S. appropriations (i.e., the PX), salaries of local nationals and procurement of material, supplies, and construction. It is estimated that the foreign exchange earned by Korea in this manner was about \$160 million per year.<sup>44</sup>

### *Korean troops in Vietnam*

Korea's first combat troops were sent to Vietnam in 1965. In connection with that dispatch, General Howze, commander of the U.S. Army in Korea, wrote a letter in July of that year in which the United States agreed to give an additional \$7 million in MAP funds for fiscal year 1966, suspend the MAP transfer program for fiscal year 1966, modernize Korean forces in Korea, and equip supply, and pay overseas allowances for the deployed troops.<sup>45</sup>

In 1966, when Korea agreed to deploy additional forces, Ambassador Winthrop Brown signed a new agreement, which became known as the Brown Memorandum, which significantly expanded the areas and amounts of U.S. compensation.<sup>46</sup> Briefly, it provided for compensation in six major areas:

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<sup>44</sup> Procurement problems are discussed on pp. 215-225 of this section.

<sup>45</sup> "United States Security Agreements and Commitments Abroad, Volume II," hearings before the Subcommittee on United States Security Agreements and Commitments Abroad of the Committee on Foreign Relations, U.S. Senate, Feb. 24, 25, and 26, 1970, p. 1569.

<sup>46</sup> Op. cit., GAO, U.S. Agreements \* \* \*, p. 28; for the text of the Brown memorandum, see appendix C-81.

(1) *Expanded economic assistance.*—\$150 million in development loans for 1966.<sup>47</sup> About \$25 million in related development loans were also provided in 1967 and 1968.<sup>48</sup>

(2) *Overseas allowances.*—Through 1970, \$130 million. U.S. salary payments for Korean troops, beyond the base pay provided by the Korean Government. The rates were up to 23 times more than a Korean private's home pay;<sup>49</sup> several thousand dollars of the average soldier's pay was repatriated to Korea, a valuable source of foreign exchange.

The funds were actually remitted to the Korean Government who paid the soldiers. GAO noted that "U.S. military officials did not have specific knowledge on the disposition of funds paid to the sponsor governments."<sup>50</sup> Several former State Department officials believed that the soldiers were actually paid at rates "which were substantially less" than those paid by the United States, but still higher than the ROK Government would have paid on its own.

(3) *MAP transfer program suspension.*—Provided savings to the Korean Government of about \$93 million.<sup>51</sup>

(4) *Net additional costs.*—Through 1970, \$44.8 million. Korea had agreed to send two divisions as long as its own security was not jeopardized. The United States therefore had agreed to set up two Korean replacement divisions (the terms of the memorandum refer to "reconstituting" some of the deployed forces). About 75 percent of this assistance went for salaries and other benefits; other costs included supplies, facilities, and communications.<sup>52</sup>

(5) *Expanded business opportunities.*—Through 1970, \$305.4 million. Several AID and State Department officials who served during the period from 1965 to 1973 commented on the value of the opportunities in Vietnam for Korean civilians. One official called Vietnam the "El Dorado" of Korea—a place to make a quick fortune.<sup>53</sup>

See p. 169 of this section.

Op. cit., GAO, U.S. Agreements \* \* \*, p. 28.

Stentzel, James, "Seoul's Second Bonanza," in *Far Eastern Economic Review*, July 30, 1973.

Op. cit., GAO, U.S. Agreements \* \* \*, p. 28. Governments other than the Korean Govern-

ment also agreed to send troops to Vietnam. The arrangements and payments varied. Other

forces came from Thailand, Philippines, Taiwan, Australia, New Zealand, and Spain. Korea

provided the largest contingent and received the bulk of payments.

Op. cit., Aid fiscal year 1969 program memorandum, annex A.

Op. cit., GAO, U.S. Agreements \* \* \*, p. 33.

Subcommittee staff interview.

[In millions of dollars]

	Fiscal year						Subto
	1965	1966	1967	1968	1969	1970	
U.S. support:							
a. Transportation of Pers/Equip <sup>1</sup> .....							
b. TE fill (100 percent) of RR Div.....		6.4					
c. O'seas Allowances.....	.367	8.863	29.754	35.848	37.036	18.200	136
d. Death and Disability.....		.654	1.690	3.439	2.872	1.800	10
e. Equip Forces Deployed.....	0	3.900	.700	.700			1
f. Improve Firepower, Mobility and Commo of ROKA and ROKMC Forces in Country <sup>2</sup> .....							
g. Med Evak to Korea <sup>3</sup> .....							
h. Modernize Forces in Korea <sup>2</sup> .....		10.0	10.0				20
i. Finance Net Add'l Costs.....			5.896	14.713	14.824	9.400	44
j. Reconstitute Deployed Forces.....		25.600	4.800	9.800	7.400	4.300	51
k. Contribute to CI Req <sup>4</sup> .....		.200	.200	5.400	.500	.200	1
l. Provide Equip for ROK Arsenal Expansion <sup>5</sup> .....			2.600				2
m. Provide Sole-use Commo facilities.....			1.314		.007	.38	1
n. Provide 4 C-54 AC.....		1.200	.600	.400	1.200	.400	3
o. Provide improvement of Military Barracks and Sanitation facilities from MAP Proceeds of MAP Excess Sales.....			.657	.583		.447	1
p. MAP Transfer Suspended <sup>6</sup> .....		4.600	10.300	18.400	27.100	32.800	93
q. Provide Combat Rations.....				6.100	12.300	5.600	24
r. Procurements in Korea <sup>6</sup> .....		9.6	11.9	15.2	9.1	5.0	50
s. Expand Korean Contractor Opportunities <sup>6,7</sup> .....							30
t. Procurement of Military Goods and Svcs for U.S. Forces <sup>6</sup> .....		32.0	32.0	32.0	32.0	16.0	144
u. MSTs Contracts.....		3.0	3.0	3.0	3.0	1.5	12
v. TDY support.....				.9	.8	.4	2
w. Special leave support.....					.7	.7	1
x. Assistance in Kind.....	.09	.7	1.6	2.0	1.5	1.1	7
Total costs, fiscal years 1965-70.....							927

<sup>1</sup> Costs of troop and military equipment shipments are not available to this headquarters but are maintained by the Military Air Command, Scott AFB, Illinois 62225, and Department of the Navy, Military Sea Transportation Service, Washington, D.C. 20390.

<sup>2</sup> Costs included in \$10,000,000 add-on to fiscal year 1966 Korea MAP as shown in item h.

<sup>3</sup> These costs controlled by COMUSMACV.

<sup>4</sup> In addition, \$9,200,000 were absorbed within the two \$10,000,000 add-on packages of fiscal year 1966 and fiscal year 1967 shown in item h.

<sup>5</sup> An additional \$1,700,000 was absorbed in the \$10,000,000 added-on in fiscal year 1967; an additional \$900,000 was absorbed in fiscal year 1968 MAP.

<sup>6</sup> In addition to being a U.S. budgetary cost these programs involve a Goldflow.

<sup>7</sup> Costs not available by fiscal year.

Note.—There were no U.S. costs in Korea during fiscal year 1964 in support of ROK forces deployed to Vietnam. Fiscal year 19 figures reflect the costs from July 1, 1969 through Dec. 31, 1969.

(6) *Expanded procurement by AID and the military.*—Through 1970, \$194.8 million. The GAO, however, reported that item (5) and (6) contributed some \$700 million to Korea's foreign exchange earnings from 1966 to 1970.<sup>54</sup>

As GAO noted in 1973, estimating total U.S. payments resultin from Korea's Vietnam venture was difficult due to the lack of data. In 1970, the Department of Defense submitted estimates to Senato Symington's Subcommittee on U.S. Security Agreements and Com mitments Abroad, which are duplicated above; they came to \$92 million.<sup>55</sup>

<sup>54</sup> Op. cit., GAO, U.S. Agreements \* \* \*, p. 68

<sup>55</sup> Ibid., p. 1571.

However, GAO's estimate came to about \$1.3 billion. The difference was due in part to the GAO's valuation of facilities and equipment supplied to Korea which the United States did not intend to replace.<sup>56</sup> A Defense Department spokesman argued that the cost was less than the figures indicated, since some of the equipment would have been provided anyway.<sup>57</sup> For example, the United States would have modernized Korean forces and transferred some equipment, including counterinfiltration systems. Nonetheless, even without counting the excess equipment and modernization" provided, the United States greatly desired modern troops for political and military reasons and was willing to pay about \$1 billion for that assistance.

Another aspect of the question is how much the Vietnam earnings contributed to the growth of the Korean economy. In the early years of participation—1966 to 1968—the impact was significant. The economic upswing had just started and Korea was vigorously pursuing a policy of maximum export expansion. Foreign exchange was essential, and the marked increase in these earnings after 1966 was due, in part, to proceeds from Vietnam. Although, according to a GAO report, Korea did not profit from the Vietnamese war to the extent that Japan profited from the Korean war, AID estimated that from 1966 through 1972 Korean foreign exchange earnings from Vietnam totaled \$925 million.<sup>58</sup> However, as Korea's export growth and earnings expanded at a rate of 40 percent per year, the relative importance of the Vietnam-related earnings declined. Using GAO's per year estimate of Vietnam earnings from 1966 to 1970 as \$200 million, in rough terms, they provided 40 percent of foreign exchange receipts in 1966, but only 15 percent in 1970.<sup>59</sup> Nevertheless, because Korea suffered chronic shortages of foreign exchange, even that 15 percent was important.<sup>60</sup>

#### THE KOREAN ECONOMY BY 1969

The 1960's were marked by the increasing economic independence of Korea. The significant achievements of this period were:

- (1) The GNP increased from \$2.22 billion in 1960 to \$5.63 billion in 1970.
- (2) Per capita GNP rose by 90 percent from \$90 in 1960 to \$171 in 1970.
- (3) Exports of goods and services went from \$117 million in 1960 to \$1.37 billion in 1970, a 1,000-percent increase.

<sup>56</sup> Op. cit., GAO, U.S. Agreements \* \* \*, p. 9.

<sup>57</sup> Ibid., appendix III.

<sup>58</sup> Op. cit., GAO, U.S. Assistance \* \* \*, p. 60.

<sup>59</sup> Op. cit., AID, fiscal year 1970 program memorandum, p. 85-86. "The dramatic increase in visible receipts, which went from \$114 million in 1965 to \$323 million in 1967, is expected to continue to an end this year. The principal cause of this phenomenon has been the Korean receipts from Vietnam. Procurement by the military within Korea for shipment to Vietnam and the repatriation of the earnings of the Korean troops stationed there has been responsible for the sharp increase in receipts from the military, while the repatriation of earnings by civilians and contract organizations in Vietnam caused the more than eightfold increase in 'other services'."

<sup>60</sup> Korea's participation in Vietnam resulted not only in an increase in foreign exchange earnings, but in an increase in self-confidence. "Korea will seek from this [commitment in Vietnam] a new level of equality in its relationship to the U.S. and a new sense of independence in its international relations." This outcome had an effect on Korean-American relations which AID foresaw. "We cannot but expect that as this trend continues, it will involve initiatives and actions not wholly in line with what we, the United States, would have Korea do." (AID fiscal years 1968-72 program memorandum, p. 9). In fact, when the United States wanted to deescalate in Vietnam, beginning in 1969, the Korean Government protested strongly.

(4) Foreign aid revenue as a percent of total Government expenditures dropped from 30 percent in 1960 to 4 percent in 1970.<sup>61</sup>

As the economy grew stronger, AID was able to move from grant assistance to loans and then even to reduce those. By 1967, supporting assistance and Public Law 480-generated funds were no longer adequate to provide two-thirds of the military budget. That realization, according to AID, was "traumatic" for the Koreans and also worried the U.S. military, which was afraid of Korean military cutbacks. For these and other reasons, Public Law 480 levels were increased in the late 1960's so that the aggregate level of assistance remained fairly constant throughout the 1960's.<sup>62</sup>

Despite a shift in emphasis in economic assistance to long-term development, the United States basic overall strategy remained the same: Maintenance of Korea's military strength. The linkage of military budget support to economic assistance led to distortions in the purposes of economic assistance in the 1960's that continued into the 1970's. The extent to which they were tied in the minds of the Koreans was shown by the attitude of a high-ranking official in 1966. In connection with discussions of U.S. compensation for troops in Vietnam, the Korean official argued "for a commitment of support of three-fourths of the military budget through 1971." Although the Korean Government came to realize this would be impossible, the argument had been based on the U.S. commitment in the early 1960's to support two-thirds of the Korean defense budget through economic assistance programs.

The Department of Defense showed a proprietary interest in economic assistance. In the 1960's, it was reluctant to see U.S. grant assistance decline and be tied to specific development projects. Because the Korean Government used U.S. assistance-generated currency to support the operation of the armed forces, the Defense Department was worried the Koreans would cut back in this area.<sup>64</sup>

The United States frequently used AID supporting assistance and development loans as leverage to encourage Korea to make economic reforms and, to a limited extent, concentrate greater resources on the rural sector. As late as 1968, AID withheld authorized development loans because the Government failed to implement certain reforms. However, U.S. leverage declined as assistance programs declined.<sup>65</sup> Although Public Law 480 increased a

<sup>61</sup> Op. cit., Brown, pp. 296-7.

<sup>62</sup> One of AID's goals was to: "Coordinate U.S. military and economic assistance objectives the use of budget support funds. Because of declining availabilities of aid-generated local currency, and in keeping with non-inflationary management of counterpart funds, there may be after 1966 insufficient amounts of such currency to support two-thirds of the military budget and still provide meaningful support to the economic development budget. The United States should, therefore, during ROKG preparation of its 1967 budget, seek to assure itself that ROK revenues will be sufficient, in association with releasable aid-generated currency, to support basic military requirements, consistent with U.S. objectives, as well as necessary development expenditures and assure itself that the ROKG will so use its revenues even should U.S. military budget support fall below two-thirds support. If the Country Team decides that such assurance cannot be obtained, then the Country Team shall review the effects on stabilization and growth objectives of: (a) a release of "frozen" counterpart sufficient to meet budget requirements, or (b) allocation of SA [supporting assistance] or Public Law 480 beyond that required to meet essential import requirements." Op. cit., AID fiscal year 1967 country assistance program, CASS-4.

<sup>63</sup> Op. cit., AID, fiscal years 1968-72 program memorandum, p. 69.

<sup>64</sup> Subcommittee staff interview.

<sup>65</sup> See chart on p. 163 of this section.

supporting assistance and development loans declined, it was not a source of leverage since AID did not control the allocation and release of funds.<sup>66</sup> In the final analysis, AID was able to arrive at reasonable levels of grant and concessional loan assistance, and then successfully to withdraw for the most part from direct involvement in the economy. It had also been able to encourage the Government to implement many politically unpopular economic reforms. While some opportunities may have been missed for encouraging political and social reforms, particularly with respect to agriculture and urban labor, overall AID's record in Korea in the 1960's was strong.

#### SPECIAL PROBLEMS IN KOREAN ECONOMIC DEVELOPMENT IN THE 1960'S

As is clear, Korean efforts, assisted by U.S. military and economic assistance and advice, resulted in dramatic economic growth in the 1960's. However, this growth did not benefit all sectors of Korean society equally, nor were all sectors of the economy given equal attention in economic planning. Both the agricultural (and rural Korea in general) and urban labor were largely neglected.

Ironically, Korea's agricultural growth was respectable compared to that of other developing countries, but in terms of other sectors of the Korean economy, it lagged behind. The increase in farmers' incomes in the 1960's did not keep pace with that of urban workers.<sup>67</sup> By the mid-1960's, AID noted that Korea's policy of purchasing some domestic food grains at below market prices allowed only minimal increases in farm incomes. This policy and the resulting low growth of farm incomes was due both to the Government's efforts to reduce inflation and to the necessity of providing inexpensive staples to the low-paid urban workers.<sup>68</sup>

By 1969, AID had come to view the disparity between agricultural and urban incomes as a serious economic and political problem:

<sup>66</sup>Seoul, October 1968. "In view Korea's rapid economic progress, we are now looking forward termination SA [supporting assistance] grants in very near future and phase down all concessional assistance. How soon this achieved depends heavily Korea's economic performance. Although U.S. aid steadily declining and successful phase-out aid program coming into view, economic policy negotiations with ROKG in connection AID program of key importance. Inflationary pressures in Korea continue strong, but since 1964 have been forcefully controlled. Additional resources from U.S. concessional aid necessary both to insure continued rapid growth and to provide incentive margin persuade ROK maintain sound economic policies. It is our strategy next 2 years gain maximum leverage obtainable from increasingly limited U.S. aid resources to help assure continued sound economic policies on part ROKG. This particularly important though somewhat more difficult because amounts aid involved on our part declining." However, due to actions by the military, the White House, and certain Congressman, both Public Law 480 and development loans continued longer than AID planned in 1968.

<sup>67</sup>AID, Korea fiscal year 1970 program memorandum, July 1968, pp. 34 and 200; Kuznets, Paul W., *Economic Growth and Structure in the Republic of Korea* (New Haven: Yale University Press, 1977), pp. 94-99; Rao, D. C., "Economic Growth and Equity in the Republic of Korea" *World Development*, 6 (1978), p. 388.

<sup>68</sup>Since the 1950's, the Korean Government has exercised varying degrees of control over the domestic price of some staples, primarily rice. As rice consumption increased in the 1960's due to its low cost, the Government applied the same policy to barley in an effort to reduce rice consumption. The priority of increasing exports and the need for cheap labor appeared to have been a major factor in this policy toward the agricultural sector. To keep wages low and counter the potential for political problems that such a strategy risked, the Government purposefully sought to keep food prices low. The basic legislation enforcing this policy has been the Grain Management Act of 1950. In 1973, the Park regime issued the food control law which rationed the consumption of certain commodities and set production goals for farmers. See also AID, Korea, fiscal year 1970 program memorandum, July 1968, p. 151; AID Korea, fiscal year 1971 country field submission, August 1969, p. 231; op. cit., Kuznets, p. 145.

In 1963, farmers earned 16 percent more than urban workers, but by 1968 urban workers earned 38 percent more than farmers. \* \* \* These wide disparities in income distribution and purchasing power seriously retard the national economy by (a) reducing farmers' means for expanding production and (b) reducing the capacity of the rural sector to purchase goods produced by urban populations. With farm population making up more than half the national total, and with 40 percent of that population at subsistence level, these efforts are of substantial economic magnitude. They also represent a potential source of serious social instability and political disaffection.<sup>69</sup>

AID itself did make some effort to encourage attention to the agricultural sector in the 1960's. Public Law 480 Title II programs in particular helped develop and reclaim land, and technical assistance programs provided training for managers in these sectors.

The Korean Government, too, eventually focused its attention on the agricultural sector. In 1968, when agricultural incomes were exceptionally low, it increased investments in the rural sector and took steps to raise rural incomes and encourage grain production. A year later, however, the Korean Government returned to its policy of purchasing domestic grain at low prices, which continued into the 1970's.<sup>70</sup>

AID also noted, in 1966, that urban labor was another "source of disequilibrium" and that "its political potential is expected to increase," although "to date labor has not been significant socially or politically." The mission further pointed out that "[t]rade unions are largely government controlled and still relatively weak."<sup>71</sup> Due to "low productivity and still considerable unemployment," AID did not feel the unions were likely to have their demands met.<sup>72</sup> However, in 1966, the U.S. Embassy placed a labor attaché on its staff, while the AID mission brought in manpower advisers.

With respect to its role resolving in this social disequilibrium, AID officials concluding, in 1967, that:

the most effective means of assistance to labor policy and leadership in Korea lie in helping the government in its manpower development programs and in developing in-country training of labor leadership.<sup>73</sup>

One AID mission director, Joel Bernstein, said that labor conditions and labor unions were "not an issue so we really pursued no dialog, no policy one way or the other. We simply weren't involved."<sup>74</sup>

Though the unions were "in the very early fragmentary stage" in the mid-1960's, but by the late 1960's strikes for higher wages and better working conditions spread throughout the country. By the latter 1960's, the AID mission felt that labor had experienced a great improvement over its situation a few years earlier.<sup>75</sup>

Dr. Bernstein pointed out that AID did not use its funds directly to promote political liberalization. AID's most important contribution to "social democracy" would come from the "tremendous expansion of the range of meaningful choices" that Koreans had jobs, places to live, education, and "disposal of their earnings for consumption or investment."<sup>76</sup>

<sup>69</sup> Op. cit., AID, Korea, fiscal year 1971, pp. 240-241.

<sup>70</sup> State 202456, Dec. 4, 1969; op. cit., Rao, p. 378.

<sup>71</sup> AID, Korea, fiscal years 1968-72 program memorandum, revised, May 1966, pp. 22-23.

<sup>72</sup> AID, Korea, fiscal year 1969 program memorandum, Part I, July 1967, p. 15.

<sup>73</sup> Ibid.

<sup>74</sup> KI-6.

<sup>75</sup> Ibid.

<sup>76</sup> Ibid.

*Introduction*

The role of the United States in the development of the Korean economy and the formulation of Korean economic policies and programs had undergone a transition in the 1960's which continued into the 1970's. By the latter part of the 1960's, the economy had entered a period of sustained growth to which the U.S. role had been crucial. That growth reduced Korean economic and psychological dependence on the United States and, with it, U.S. influence.

In certain respects, during the 1970's the U.S. role in Korea's economic development further declined in importance. The economy continued to expand at an average rate of over 9 percent a year, while official U.S. economic assistance declined in value. The Korean Government formulated its Third and Fourth Five-Year Plans with virtually no U.S. advisory assistance, and the AID contribution to the implementation of these plans was minor.

Nevertheless, the United States did play an important role in the Korean economy in other ways throughout the 1970's, especially with respect to Korea's foreign exchange needs. The economy was heavily dependent on foreign trade and reliant on increasing amounts of foreign capital. That dependence left it extremely vulnerable to the vicissitudes of a changing international economy such as occurred in the 1970's, a time of extraordinary upheaval worldwide. In August 1971, President Nixon announced a New Economic Policy which, among other things, suspended full convertibility of dollars into gold (in effect dismantling the post-World War II monetary system) and imposed a 10-percent surcharge on all imports into the United States. In November 1973, the Organization of Petroleum Exporting Countries quadrupled the price of oil, dramatically shifting the balance of trade and economic power. These events affected the economies of nations throughout the world. For Korea, so dependent on international trade and finance, the events were enormously disruptive. Moreover, domestic policies such as the monetary expansion before the Korean elections in 1971 exacerbated the impact of these events.

The United States was important to Korea's overcoming the difficulties of the early 1970's. It was Korea's principal source of low-interest foreign exchange; it encouraged other donors to provide funds; and it strongly influenced Korea to undertake politically unpopular policies and programs necessary for Korea's economic health. Moreover, throughout the 1970's, both during crisis situations and periods of relative tranquility, the continued U.S. military presence and assistance strengthened investor confidence and relieved Korea of a portion of its defense burden, enabling it to focus resources on economic development and stabilization.

Despite the successful cooperation of the United States and Korea in responding to these external problems, the 1970's did witness some serious conflicts between the two countries. For example, what Korea perceived as a direct and serious threat to its economic growth occurred in the early 1970's, when the United States sought to restrict imports of Korea's most important

export—textiles. The need for this action indicated the success of U.S. efforts to create a strong Korean economy—Korea was beginning to compete with certain American industries. While South Korea saw the episode as an attempt to limit its full economic potential and as a break in the long-standing special relationship, the United States saw it as the first request made of a friend it had supported for many years. Other conflicts were the Public Law 480 rice scandal, the changes in the nature of U.S. assistance, and the difficulties in getting congressional funding for the military modernization program.

Nevertheless, the major international events of the 1970's—the aftermath of President Nixon's new economic policy and the international oil crisis—showed that the United States could continue to play a constructive role in Korea's economic development, and the relationship between the two survived their conflicts. Both countries recognized that a new element in their relationship had emerged, as, for the first time, Korea's economic activities were having an impact on the United States.

Korea emerged from these troubled times with a dynamic economy and today is an important force in the world economy, on the verge of graduating from the ranks of the developing countries. This remarkable achievement was the result of determined leadership and the disciplined, hard-working Korean people, with the assistance of the United States as financier and adviser.

### *The Third and Fourth Five-Year Plans*

The first two Five-Year Plans had stressed industrial growth and development, with a secondary emphasis on rural growth and social development. In the Third Five-Year Plan which covered the years 1972-76, Korean planners adopted as the key phrases "balanced growth" and "balanced economy." There was, of course, still a strong focus on exports, which were to triple between 1972 and 1976, with imports only doubling. Investment was to be spurred by increased domestic savings. In the industrial sector, the emphasis was to be on heavy and chemical industries. The annual growth rate in the GNP was projected at a modest 8.6 percent per year, reflecting the shift to a balanced economy.

Perhaps the greatest change in Government policy was increased attention to the rural sector, particularly agriculture. The principal goal was self-sufficiency in food grains, but the Third Five-Year Plan also stressed improvement in the quality of rural life by increasing rural incomes through commodity exports; improving housing, health care, and social security programs; and increasing educational opportunities. The plan also projected a decrease in the annual population growth rate to 1.5 percent by 1976.

In 1974, the Korean Government revealed its Fourth Five-Year Plan, detailing its development goals through 1981. The Plan emphasized "A GNP growth rate of 10 percent, expansion of exports faster than GNP, and the industrial sector leading the way in providing the major portion of these exports."<sup>77</sup>

AID's own objectives in the 1970's coincided with those of the Third and Fourth Five-Year Plan. Its overall goal remained:

<sup>77</sup> AID, Korea, fiscal years 1975-81 development assistance program, February 1974, p. 47.

\* \* \* to see South Korea able to be independent of external domination \* \* \* Economic self-sufficiency is \* \* \* an absolute prerequisite to the satisfaction of this objective \* \* \* Internal political and social viability is also prerequisite. Recent years' experience in Korea has shown that not just economic growth, but rapid economic growth, contributes significantly to this goal \* \* \* Enlarged prospects for individual opportunity are provided by an expanding economy in the modern world. These factors should also decrease the high dependence on the United States and should lead to the acceptance and rooting of an economic, social, and political order which fulfills the requirements for the American interest and basic policy objective. It is for the foregoing reasons that we recommend that the U.S. should continue to support a high growth rate policy in Korea within a frame of declining and terminal economic assistance.<sup>78</sup>

Because AID viewed the economy as having become virtually self-sustaining, its role in the 1970's shifted away from development of the infrastructure and industrial growth to "concern with some social aspects of Korea's development as well as agriculture,"<sup>79</sup> paralleling, to an extent, the shift in emphasis outlined by the ROK Government.

This shift also conformed to AID's worldwide change of policy resulting from the 1973 amendments to the Foreign Assistance Act. In enacting those amendments, Congress called for AID "to help the poor majority in developing countries raise their living standards beyond subsistence levels."<sup>80</sup> Under the "New Directions Program", AID focused on three areas: (1) food and nutrition, (2) population and health, and (3) education and human resource development. AID also was directed to encourage recipient nations to develop programs to assure that the benefits of economic growth would be applied to all sectors of society.<sup>81</sup>

AID's role in formulating the Third and Fourth Five-Year Plans had been minor, involving only occasional consultations with Korean planners. According to an AID document dated August 1972:

\* \* \* ROKG policy makers and planners are now defining national priorities identifying problems with minimal external assistance. Given this ability within the ROKG, economic planning assistance is no longer necessary nor appropriate.<sup>82</sup>

American involvement in implementing the Third and Fourth Five-Year Plans was also less than in the past. Support was limited to research and training programs in agriculture, family planning, education, science and technology, and the private business sector. Funds also went to the Korean Development Institute and the Korean Institute of Science and Technology.

AID officials projected a limited role in supporting the fourth plan, in line with Korea's improving expertise and AID's "New Directions Program." They pointed out that AID should be prepared to increase its involvement "only in case of serious repercussions adversely affecting Korea's growth plans, stemming from international economic crisis \* \* \*."<sup>83</sup> On the whole, AID planned to

<sup>78</sup> Op. cit., AID, fiscal year 1971, country field submission, p. 5.

<sup>79</sup> Seoul 4233, July 16, 1971.

<sup>80</sup> House Committee on International Relations, Implementation of "New Directions" in Development Assistance, Report to the Committee on International Relations on Implementation of Legislative Reforms in the Foreign Assistance Act of 1973, prepared by the Agency for International Development, Washington, D.C., 1975, p. 64.

<sup>81</sup> Ibid., pp. 1-5 and 63-86. See also House Committee on International Relations, New Directions in Development AID: Excerpts from the Legislation (as of January 1977), (Washington, D.C. 1977), pp. 1-2.

<sup>82</sup> AID, Korea, fiscal year 1974, development assistance program, August 1972, p. 7.

<sup>83</sup> Op. cit., AID, Korea fiscal years 1975-81 development assistance program, p. 47. The new directions program was instituted in 1973 and is discussed in greater detail on p. 105.

reduce assistance significantly and to phase out completely by 1981.

The ROK Government estimated a need of about \$8.5 billion in foreign capital from 1975 to 1981 in order to reach its development goals.<sup>84</sup> AID assistance to Korea, however, declined significantly in these years, and the assistance was for projects in the three areas prescribed in the new directions program.

AID ASSISTANCE TO KOREA: 1974-78

[In millions of dollars]

Assistance	1974	1975	1976	1977	1978
Loans .....	25.0	18.2	5.3		
Grants .....	1.7	1.8	0.6		
Housing guaranties* .....	20.0	35.0	30.0	25.0	25.0
Total .....	46.7	55.0	30.9	25.0	25.0

\* Significant source of AID assistance to Korea in the 1970's has been the Housing Guaranty Program. Through this program "U.S. private sector lenders provide long-term financing for low-income housing programs in developing countries. The United States Government underwrites these transactions through the provision of a full faith and credit guaranty. The AID guaranty will compensate U.S. lenders for losses. Maximum interest rates to U.S. lenders are established by AID and reflect the current cost of money in the U.S. mortgage market." AID, Office of Housing Guaranty Program, "Annual Report, FY 1977," p. 2.

Source: Agency for International Development.

AID planned to provide no more than \$22.5 million in assistance to Korea between 1978 and 1981.<sup>85</sup>

In the earlier years, the extent to which the U.S. role in the third Five-Year Plan had declined would have caused Korean officials great concern. By the early 1970's, however, it was accepted, as indicated in an AID memorandum of May 1974:

For a number of years the Ambassador, USAID Director, and AID/W officials have been sending low-key signals to the ROKG that Korea was reaching the state where she would be capable of sustaining strong economic growth without large amounts of concessional AID assistance. These signals were received calmly and with quiet acceptance of their accuracy. Adverse reactions to these expressed intentions to terminate the AID program have been minimal to nonexistent.<sup>86</sup>

### *Rural and urban programs*

One key feature of the Third Five-Year Plan, as noted, was "emphasis \* \* \* to measures and investments needed to achieve a parity of incomes of rural households with those of the urban areas."<sup>87</sup> Rural incomes got their first big boost from the Government's agricultural price support program for grains and subsidies for agricultural inputs announced in the "Third Five-Year Plan." At the same time in 1972, with the Saemaul Undong or the New Village Movement, the Government undertook a major development program in rural Korea. The Saemaul Movement was designed to increase rural development and improve the rural standards of living. The Government made improvements in irrigation and storage facilities, built roads and bridges, introduced new seed lines, and expanded the amount of land under cultivation. As a

<sup>84</sup> *Ibid.*, p. 48.

<sup>85</sup> *Op. cit.*, AID, Korea, fiscal years 1975-81, development assistance program, p. 78.

<sup>86</sup> AID Memorandum, May 7, 1974, p. 3.

<sup>87</sup> *Op. cit.*, AID, Korea, fiscal years 1975-81, development assistance program, p. 47.

result of these policies, rural incomes rose substantially by the mid-1970's and the quality of life in rural Korea showed great improvement.<sup>88</sup>

Urban labor's incomes rose in the 1970's, as in the 1960's, but as recently as 1975 the monthly incomes of the average worker were less than their monthly household expenses.<sup>89</sup> For the most part, the Korean Government held to its policy of maintaining a supply of cheap labor by keeping labor unions docile, resorting to authoritarian measures, and obtaining the cooperation of employers. In 1977, the president of Hyundai Motor Co. told an American reporter that the Government had asked him not to increase wages significantly. His and other companies worked with the Government in this area.<sup>90</sup>

Demonstrations and strikes for higher wages and better working conditions led to legislation in the 1970's which restricted collective action by urban labor. In 1970, the Korean Government enacted laws prohibiting strikes and severely limiting unionization and collective bargaining in factories in which there was foreign investment. In 1972, the Yushin reforms granted the Government additional controls over the activities of urban labor. Today the only strikes which are legal are those sanctioned by the Korean Government. Collective bargaining is also severely restricted.<sup>91</sup>

When these measures and the Government's control of labor unions were not sufficient to suppress the demands of workers, the regime resorted to intimidation and even violence. One of the most recent occasions occurred in June 1978. The Urban Industrial Mission of the Christian Church had been seeking higher wages for women working in textile factories. Their demands were met with arrests, sporadic violence, and heavy Government pressure."<sup>92</sup>

At the same time, in the 1970's the Government did take steps to improve the working conditions of the urban worker, as it had with the agricultural sector. For example, the Government instituted the Factory Saemaul Movement. This program was set up to resolve differences which arise between employers and employees and to improve working conditions, increase employee benefits, and improve company relations with its surrounding neighborhood.<sup>93</sup> While urban wages remain low, working conditions and employee benefits did improve substantially in the 1970's.

### *General economic slowdown—1972*

By the 1970's, Korea was facing many of the problems associated with rapid economic growth. Real growth during the period from

<sup>88</sup> Sumiya, Mikio, "Growth Economy and Unstable Society: Mechanism of the South Korea Economy," Sept. 19-20, 1977, p. 25.

<sup>89</sup> Hapdong News Agency, Korea Annual, 1976, p. 169; Don Long, "Repression and Development in the Periphery: South Korea" in Bulletin of Concerned Asian Scholars, April-June, 1977, pp. 26-35 and 37-41.

<sup>90</sup> "South Korea's Powerful Economic Offensive," Business Week (Aug. 1, 1977), p. 42.

<sup>91</sup> Lim, Ki Top, "Development of Korean Labor Law and Practice, Journal of Korean Affairs, pp. 25-42. The related legislation is: Special Measure Act on Labor Union and Labor Dispute Settlement of Foreign Invested Enterprises, law No. 2192, promulgated, Jan. 1, 1970, and the Labor Dispute Settlement Act, law No. 1327, promulgated Apr. 17, 1963, and amended in 1963, 1973, and 1974.

<sup>92</sup> Chapman, William, "South Korea Clamps Down on Effort To Boost Wages," Washington Post, June 7, 1978.

<sup>93</sup> "The Factory Saemaul Movement, Improved Welfare of Workers Eyed," Korea Herald, June 1, 1978.

1965 to 1969 had averaged 10.7 percent per annum, with a rate of 15 percent in 1969. However, by 1970, external debt had reached \$2.5 billion, making debt management a serious issue. Although domestic savings increased at an average rate of 36 percent per year, this was sufficient to finance only about half the total investments. The remainder had to be financed with foreign capital.<sup>94</sup>

Of more immediate concern was the stabilization program, which had been ignored as the Government expanded the money supply and domestic credit in order to gain public support for the 1969 referendum to amend the Korean Constitution.<sup>95</sup> The Government had been aware of the potentially adverse economic consequences of that political decision. Following the election, changes were made in the management of its economic ministries, and a new stabilization program was initiated for 1970.<sup>96</sup> As part of this program, commercial banks were required to eliminate shortages in their reserve requirements with the Bank of Korea. Efforts to collect overdue loans were accelerated. The money supply was tightened and strict controls were placed on borrowing money from abroad to cover domestic expenditures.<sup>97</sup> By the spring of 1971, the Government declared its policies a success. The Deputy Prime Minister coined a new word to describe the Korean economic scene: "pros-tability," a combination of prosperity and stability.

The AID mission was less sanguine, commenting that:

[I]t should be noted the ongoing battle against inflation is by no means won. The annual inflation rate is still higher than desirable to assure the long-term growth in Korea's domestic savings which is ultimately the key to Korea's economic independence. Some ground has yet to be covered to provide a truly solid basis for future DPM's to claim pros-tability for Korea.<sup>98</sup>

#### *The balance of payments problems*

The mission's report on Korea's stabilization program had barely reached Washington when it became apparent that political considerations had again entered the economic equation, this time in conjunction with the 1971 Presidential campaign. As reported from Seoul:

Last month \* \* \* a moderately optimistic, if skeptical, report on the financial stabilization program for the first quarter of 1971 observed that the ROKG seemed to be keeping the monetary situation under control despite the approaching presidential election. In April came the last weeks of the campaign and the election itself. Also in April the cherry trees blossomed in much of Korea—and so did monetary levels.<sup>99</sup>

There was a massive increase in the circulation of money, 8.4 percent for the month, accompanied by a smaller increase in domestic credit. The situation was further complicated by the upcoming May National Assembly election, which limited the Government's ability to correct the monetary imbalance.<sup>100</sup> AID revised its analysis of the ROK balance of payments performance for 1970 and concluded the situation was "disappointing but predictable." External debt reached \$2.9 billion. The debt service ratio reached a

<sup>94</sup> "Korean Economic Performance Prospects" in Thomas F. Olmsted Chron. File—1971, January 1971, AID.

<sup>95</sup> See "Part B: Review of Korean-American Relations," p. 13.

<sup>96</sup> Seoul A-140, Apr. 12, 1971.

<sup>97</sup> Seoul A-414, Oct. 7, 1970.

<sup>98</sup> Seoul A-140, Apr. 12, 1971.

<sup>99</sup> Seoul A-191, May 24, 1971.

<sup>100</sup> *Ibid.*

dangerous 33 percent. The mission recommended devaluation of the won to insure Korea's meeting payment obligations.<sup>101</sup>

The International Monetary Fund (IMF) was also concerned about the Korean economy. In June, an IMF delegation conducted a mid-year review of ROK policies as provided in the IMF's 1971 standby agreement with Korea.<sup>102</sup> While the Government agreed to requests to tighten credit, limit Government spending, and reduce export subsidies, it would not agree to devalue the won to 450 to the dollar, as proposed by the IMF.<sup>103</sup>

By the end of September 1971, the AID mission was estimating that Korea's trade deficit might reach \$1.3 billion and predicted that the country was headed for a balance of payments crisis as a result of excessive imports and a failure to approach its export targets.<sup>104</sup> These monetary problems were put into the broader perspective of Korean economic growth in the mission's end of the year reports. The reports noted that while the trade gap had increased sharply, other factors, including increased won sales to the United Nations forces in Korea, increased U.S. grant assistance in the pipeline from previous years, and drawdowns of gold and foreign exchange reserves, reduced the adverse impact of the trade gap somewhat. The mission believed that Korea was capable of bolstering its trade position if the Government was willing to undertake appropriate policies for the exchange rate, tariffs, and exports. These policies were opposed by "special interest groups," however.<sup>105</sup>

Furthermore, the mission pointed out that Korea's foreign exchange problems should not obscure the economy's basic prosperity and future prospects. Korea's rate of growth for 1971 had been 11 percent compared to 9 percent in 1970. The Government had implemented policies of monetary restraint early in the year, which, while possibly causing some businesses difficulty in the short term, could be beneficial in the medium and long run.<sup>106</sup>

### *Request for U.S. assistance*

By January 1972, the Government had become sufficiently concerned with the immediate balance of payments situation that it began contacting the United States, Japan, and other nations about financial assistance. In addition, it put out feelers regarding a program loan from the World Bank.<sup>107</sup> Further, Lee Jae Sul, Vice Minister of the Economic Planning Board, contacted AID Mission Director Adler with a proposal for a long-term credit of \$100 mil-

<sup>101</sup> Seoul A-177, May 12, 1971.

<sup>102</sup> IMF standby agreements are arrangements which provide a member country with advance assurance that for a specified period of time—normally 12 months—financial assistance to a specified amount will be forthcoming without review by the IMF, provided the criteria of the agreement are observed. Apart from their intrinsic value, standby agreements are considered an indication that a country's economic policies are sound; they are useful in obtaining loans from commercial banks.

<sup>103</sup> Seoul 3827, June 30, 1971. Korea's refusal to devalue raised fears that the IMF would spend the 1971 standby agreement and the Embassy recommended quiet mediation by the Embassy and Washington. The agreement was not suspended.

<sup>104</sup> Memorandum from Thomas F. Olmsted to Michael Adler, "Economic Problems for the Next Few Months," Sept. 28, 1971, in Thomas F. Olmsted Chron File—1971, AID.

<sup>105</sup> Seoul A-403, Dec. 3, 1971.

<sup>106</sup> Seoul, 7704, Dec. 23, 1971.

<sup>107</sup> Seoul 0511, Jan. 26, 1972.

lion from the United States to finance current imports of commodities and services from the United States.<sup>108</sup>

The problem, according to the ROK Government, was a temporary foreign exchange shortfall resulting from external forces, including an unexpected slowdown of export demand due to the general stagnation in world trade volume following "the Nixon measure"; the rate of decrease of invisible receipts from the UN forces stationed in Korea and ROK forces in Vietnam; and an increase in import and loan repayment costs due to revaluation of major international currencies, particularly the yen.<sup>109</sup>

Within the U.S. Government, there was concern over the impact of these external events. Some experts, however, asserted that Korea's excessive dependence on foreign capital and foreign production inputs were even more fundamental to the balance of payments problem and that the payments problem was a factor in an emerging, general slowdown of the Korean economy.<sup>110</sup>

### *U.S. reaction to the Korean request*

The mission's reaction to the ROK request was generally sympathetic. It viewed the slowdown as temporary, primarily the result of tight credit policies in the past. It acknowledged that the United States had pressed the Koreans severely with the textile issue<sup>111</sup> and the programs of the new economic policy and that Korea was being squeezed by the foreign exchange floor set by the IMF. The mission pointed to Japan, Korea's major trading partner, as the major contributor to the trade deficit and suggested Japanese financing be used to help meet the problem.

In Washington, however, reaction to the request was mixed. USDA was receptive to an additional sale of Public Law 480 wheat and corn, but the AID Food for Peace office pointed out that the request could not be met logistically. OMB wanted any additional assistance for fiscal year 1972 to count against commitments for future years. The Export-Import Bank could offer only short-term commodity financing, but was prepared to finance medium-term equipment packages. AID felt constrained in providing development loan assistance because of the pending AID appropriation bill.<sup>112</sup>

At the same time, U.S. officials regarded the Korean request as an important stage in Korea's financial history: For the first time since the beginning of the economy's rapid growth, the Government was expressing concern about its balance of payments position and seeking international help.<sup>113</sup> It was an ideal opportunity for the U.S. Government "to assist the Korean Government in adopting politically unpopular but necessary economic reforms."<sup>114</sup>

The U.S. Government considered greater IMF participation in Korean economic matters, particularly in stabilization, to be very

<sup>108</sup> It was requested that the credit take the form of \$50 million of additional Public Law 48 and/or new development loans; \$25 million in additional program loans; and a \$25 million commodity credit from the Export-Import Bank. See appendix C-88.

<sup>109</sup> Memorandum from Lee Jae Sul to Michael Adler, undated, see appendix C-88.

<sup>110</sup> Seoul to AID A-081, Mar. 3, 1972; Seoul to AID A-102, Mar. 17, 1972.

<sup>111</sup> See "1971 Textile Agreement" in this section, pp. 191-196.

<sup>112</sup> Information memorandum for the Assistant Administrator, Asia Bureau, AID, from Chester S. Bell, Jr., subject: Korean request for \$100 million, Feb. 7, 1972.

<sup>113</sup> AID memorandum from Cleo Shook to D. G. MacDonald, Mar. 9, 1972.

<sup>114</sup> AID draft memorandum, subject: Korean balance of payments, PPC/PDA/TP: K Jay, Mar. 1, 1972.

important, consistent with the recently adopted U.S. policy of using international organizations to a greater extent in international economic assistance programs. U.S. Government officials discussed Korea's economic situation with the IMF and outlined a plan which they felt Korea should be prepared to present before further financial assistance would be forthcoming.<sup>115</sup> Washington also informed the Government that the United States would consider satisfying its request for additional Public Law 480 and development loan funding, provided that the Government consult with the IMF to review in depth their international financial situation to strengthen the balance of payments; agree that the additional Public Law 480 or Development Loan funds are to be charged against existing U.S. AID commitments to Korea for future years; and submit more complete presentation based in part on results of IMF review, demonstrating that additional U.S. assistance is required.<sup>116</sup>

In the latter part of March, the Government responded positively to the U.S. proposals. The EPB revised upward its projected foreign exchange needs for the period 1972 to 1974, estimating that Korea would need \$500 million more than projected for the Third Five-Year Plan; \$200 million for 1972; \$200 million for 1973; and \$100 million for 1974. At the same time, the Government undertook measures to improve its balance of payments situation, including import restrictions and gradual devaluation of the won. However, concessions were made to business interests, including reductions in tax collections relative to GNP and increasing the availability of low-interest loans. These steps hindered the Government's efforts.<sup>117</sup>

After reviewing these measures, the mission concluded that lack of additional credit would require Korea to restrict imports substantially, which would result in a significant reduction in projected GNP growth. It recommended that the United States provide the \$100 million in additional credit.<sup>118</sup>

On March 27, 28, and 29, Vice Minister Lee consulted with the IMF in Washington. Among other things, the IMF stressed that there could be no significant progress in Korea's balance-of-payments problem without changes in the foreign exchange rate and abandonment of export subsidies and import restrictions. Vice Minister Lee responded that for political reasons, his Government could not devalue.<sup>119</sup>

Vice Minister Lee and other Korean officials then met with Treasury, State, and AID officials in Washington on March 30 and 31 and reviewed the various policy measures undertaken by Korea. U.S. officials advised Lee that the measures were considered inadequate for correcting Korea's fundamental, long-term problems.<sup>120</sup>

<sup>115</sup> State 040723, Mar. 9, 1972.

<sup>116</sup> *Ibid.*

<sup>117</sup> Seoul to AID A-102, Mar. 17, 1972.

<sup>118</sup> *Ibid.*

<sup>119</sup> State 054220, Mar. 30, 1972.

<sup>120</sup> State 058872, Apr. 6, 1972. In particular, U.S. officials emphasized that insolvent industries, caused by political favoritism in earlier years, represented a major problem. They stressed that foreign banks looked closely at the prevalence of favoritism toward basically unsound companies. Lee acknowledged the problem and indicated that President Park had directed that these companies be "rationalized" in the near future through a process of changing principal investors and mergers where appropriate.

At the same time, U.S. officials expressed approval of the Korean-IMF consultations and said that the United States hoped to make available an additional \$25 million in Public Law 480 assistance in fiscal year 1972<sup>121</sup> (the United States had already approved \$150 million in Public Law 480 for 1972). However, this amount would come from the existing 5-year commitment. Further, the president of the Export-Import Bank had met with President Park and committed "unlimited funds for Korean projects that could meet the Bank's criteria."<sup>122</sup>

*Further ROK response: The August emergency measures*

Despite improvements in Korea's balance of payments by mid-1972, the general economic slowdown continued, and there was little evidence of vigorous recovery. Prices continued to increase, domestic producers suffered from the high costs of materials and weak demand, profits declined, business debt mounted, and private domestic investment dropped significantly. As a result, President Park issued a presidential decree on August 3, 1972, setting forth "emergency economic reforms" intended to ease the pressure of costs on private business, restore economic confidence, and break the inflationary psychology built into economy.

As part of these reforms, the Government established a 50 billion won (approximately \$125 million) "Industrial Rationalization Fund" to modernize equipment, encourage mergers, and improve the financial structure of priority industries. It was an attempt to correct the serious, politically generated problem of "irrational industries."<sup>123</sup> Other measures were intended to cause a shift in funds from the curb market (the noninstitutional lending market) into banking institutions and to increase domestic savings. The Government also devalued the won, limited its own spending, and increased tax incentives for investment of domestic resources.

These measures, combined with strong export demand, stimulated business activity in the last quarter of 1972, as the business community increasingly became aware that the Government intended to adhere to price and exchange rate stabilization policies. By 1973, Korea's recovery was complete, with the economy experiencing a growth rate of 16.5 percent.

These events showed that the U.S. role in the Korean economy in the early 1970's went significantly beyond AID programs and projects. The U.S. Government had served as the principal source of foreign exchange. Vice Minister Lee's request in January 1972 for \$100 million in long-term credits represented one-half the Government's projected 1972 foreign exchange shortfall. Moreover, this amount would be in addition to the \$179 million in Public Law 480 already pending (Public Law 480 in excess of \$29 million was agreed to in December 1971, and Public Law 480 of \$150 million, also stemming from earlier Korean requests, was agreed to in February 1972. In fact, the U.S. Government programed over \$200 million in Public Law 480 under agreements signed in 1972).

The U.S. Government also played an instrumental role in the formulation of Korean economic policy. It conditioned considera-

<sup>121</sup> State 058872, Apr. 6, 1972.

<sup>122</sup> Memorandum of Meeting, EPB Vice Minister Lee and Party, AID, Mar. 31, 1972.

<sup>123</sup> See footnote 120, previous page.

on of additional Public Law 480 and development loan funding on consultations by Korea with the IMF in order to develop economic policy measures to strengthen the economy. The U.S. recognized that these measures were politically unpopular but accepted the responsibility of "assisting the ROKG" in adopting them. In addition, it assumed the role of mediator between the IMF and the government at a time when their differences in economic philosophy threatened to disrupt what the United States considered to be a necessary relationship for Korea's economic well-being.

The presidential decree of emergency economic measures in August 1972 reflected the degree of U.S. influence. They were consistent with U.S. recommendations for actions considered necessary for Korea's long-term economic growth and represented a significant departure from the previous ROK policies.

#### *1971 textile agreement*

The Korean Government blamed the 1971 foreign exchange shortfall on "external forces." Vice Minister Lee Jae Sul of the EPB pointed specifically to "[the] Nixon measure [which] entailed worldwide trade and currency difficulties."<sup>124</sup> He was referring to President Nixon's August 15, 1971 new economic policy, which transformed the international monetary system by suspending the convertibility of dollars to gold and served notice to the world that the U.S. was prepared to use protectionist policies, in this instance an import surcharge, to deal with the adverse consequences of increasing world trade. The New Economic Policy was not directed specifically at Korea, but it had significant impact there. Curtailment of a free trade system, particularly with the United States, could restrict Korea's economic growth, since its economy depended heavily on foreign trade.

A specific and more severe protectionist threat was U.S. insistence that Korea limit exports of woolen and synthetic textiles to the United States, its largest export market. In 1971, textiles were the cornerstone of the Korean economy, comprising by far the largest share of exports. They accounted for over 35 percent of the foreign exchange earned, growing from \$173 million in 1968 to \$432 million in 1971.

In the United States, synthetic and woolen textile imports from East Asian countries had become an economic and hence a political issue. Economically, according to a former White House official involved in the textile negotiations, the increasing level of imports was having a negative impact on the domestic textile industry and employment. The employment problem was particularly troublesome, as the industry employed primarily low skill workers in small towns where there were few alternative sources of employment. Politically, the issue had arisen during the 1968 presidential campaign, with the industry eliciting promises of assistance from both candidates. Following the election, the Nixon administration felt substantial protectionist pressure over textile imports from a broad spectrum in Congress.

During the spring of 1971, textile exports from East Asia increased dramatically, causing further political repercussions in the

<sup>124</sup> Memorandum from Lee Jae Sul to Michael Adler, undated, see appendix C-88.

United States. As the 1972 election approached, successful resolution of the import problem became a key element of President Nixon's "Southern Strategy," since southern textile producers were among the strongest proponents of restrictions on imports.

As early as 1969, the White House had tried to defuse the issue and avoid protectionist legislation by obtaining voluntary agreements from major exporters.<sup>125</sup> In 1971, Nixon appointed Ambassador-at-large David Kennedy to be special negotiator. Kennedy agreed to the assignment, despite his own free trade philosophy, on the condition that he have complete control of the negotiations and be allowed to deal directly with Nixon.

At the outset, Kennedy shifted the negotiations, which had focused in 1969 and 1970 almost exclusively on Japan, to all four Far Eastern textile exporters, including Korea. Kennedy assembled a team which excluded the Departments of State and Commerce, as State was considered excessively sympathetic to the interests of foreign countries and Commerce excessively sympathetic to the U.S. domestic textile industry.

In May 1971, Ambassador Kennedy visited all four countries, meeting directly with the chief of state in each. In Korea, the initial conversation with President Park went smoothly. It was agreed that Kennedy would deal directly with Park and Lee Nak Sun, the Minister of Commerce and Industry, and that they would be the only ones with decisionmaking power. Agreement was also reached on a June date for the beginning of substantive discussions. Kennedy planned to have Anthony Jurich, his senior staff person, run the discussions, while staying in the background himself, to intervene as necessary politically.<sup>126</sup>

Prior to the meeting in June, an interagency task force representing NSC, AID, OMB, and USDA met to discuss using compensation for reduced imports as a negotiating tool with Korea. Increases in Public Law 480, development loans, and military aid were discussed as alternatives. It was decided that OMB would recommend to the President, along with other possibilities, that Public Law 480 sales over a 5-year period be increased up to \$200 million above the amounts previously contemplated.<sup>127</sup>

The negotiations began as scheduled on June 14, 1971. According to Jurich, the negotiating team initially opposed using compensation as a tactic. However, during the negotiations, it learned that Korea had projected a doubling of its textile exports in less than 4 years. The team concluded that obtaining an agreement without compensation would be extremely difficult and inequitable as well.

The first round of substantive negotiations ended on June 20 when it became clear that no further progress could be made. The U.S. team had offered limits on synthetic textile growth of 10 percent, 9 percent, 7 percent, 7 percent, and 7 percent over a 5-year period beginning April 1, 1971. A 1 percent annual growth rate was

<sup>125</sup> Earlier efforts to obtain textile agreements, in 1969 by Commerce Secretary Maurice Stans and in 1970 by Peter Flanigan, Special Adviser to the President, were unsuccessful. Japan was the primary focus of both efforts.

<sup>126</sup> Memorandum from Thomas Olmsted to the Ambassador, May 10, 1971, in Thomas F. Olmsted Chron File—1971, AID.

<sup>127</sup> Memorandum from General Sales Manager to Assistant Secretary for International Affairs and Commodity Programs, U.S. Department of Agriculture, June 14, 1971.

proposed for wool exports, considered less important.<sup>128</sup> The Koreans countered with an offer of a straight 20 percent per year increase in textile growth. The United States also offered a compensatory package of \$50 million in Export-Import Bank loans, \$50 million in extra development loans, \$225 million (net) in extra Public Law 480, and an additional \$225 million in investment guarantees. The total was roughly \$600 million and considerably above Korea's estimated export "loss."<sup>129</sup> Since no agreement could be reached, it was decided that negotiations would resume on July 27.

In the latter part of June, Ambassador Kennedy had a message delivered to Deputy Prime Minister Kim Hang Nyul. It stated that the U.S. offer of incremental assistance, which was still in effect, was contingent on ROK acceptance of the U.S. textile proposal and conveyed Ambassador Kennedy's disappointment at the Koreans' delaying tactics. Further, the U.S. Government would view negatively any attempt to raise the subject in the upcoming meetings with Vice President Agnew or Secretary Laird.<sup>130</sup>

On July 1, 1971, Rex Beach, Ambassador Kennedy's special assistant, returned to Korea and reached agreement with the Ministry of Commerce and Industry that foreign exchange losses over the 5-year period would be in the range of \$300-\$350 million.<sup>131</sup> Although reaction was still negative, chief Korean negotiator Shin informed the AID Mission that the Koreans were willing to resume negotiations on July 27. However, he reiterated that the starting point would have to be a 20 percent growth rate per annum. At the same time, the United States learned that President Park had been urged not to accept the U.S. proposals and that the Koreans were unprepared to renew meaningful negotiations. There was substantial opposition among the industry people who were at the center of the DRP power structure and whose political power could not be underestimated. These people felt they would be hurt badly by the proposed restrictions. U.S. officials believed that these people would not be hurt as much as they thought, but that it was more important what they thought than whether that was really true. Certain U.S. officials also thought the opposition was strong enough as to jeopardize the Government.<sup>132</sup>

Following a trip to Seoul to obtain further background on the situation, Jurich requested that the embassy inform the Korean Government that the United States reluctantly accepted July 27 as the date for resumption of the talks, but would not put forward another growth rate or compensatory assistance offer. The Korean response was generally negative, indicating there was little prospect for success, particularly since President Park himself had set the growth rate of 20 percent per year.<sup>133</sup>

Only days before resuming discussions, the entire negotiating process reached a complete impasse. As explained by various mem-

<sup>128</sup> Memorandum to the file, Thomas Olmsted, "Kennedy Negotiations," Aug. 6, 1971, in Thomas F. Olmsted Chron File—1971, AID.

<sup>129</sup> Memorandum from Thomas Olmsted to the Ambassador, "Kennedy Mission Negotiations," July 9, 1971, in Thomas F. Olmsted Chron File—1971, AID.

<sup>130</sup> Ibid.

<sup>131</sup> Ibid.

<sup>132</sup> Memorandum for the record, Thomas Olmsted, "Subject: Mr. Jurich's Visit to Seoul, July 18, and 19th," 1971; July 19, 1971 in Thomas F. Olmsted Chron File—1971, AID.

<sup>133</sup> Memorandum to the file from Thomas Olmsted, Aug. 6, 1971, op cit.

bers of the American negotiating team, the Koreans said they would not proceed until the Japanese moved first. Taiwan and Hong Kong set similar preconditions. The Japanese, however would not come to an agreement until one of the other three countries did so. Japan finally said it could not conclude an agreement at all because of political problems and upcoming elections. The negotiators returned to the United States.

As a result of the impasse, members of the negotiating team held intense meetings with representatives of the American textile industry to discuss the next step. The industry was in an uproar because the four countries were exporting as many textiles as possible before any limitation was set.

At the same time, President Nixon's enunciation of the new economic policy on August 15, 1971 provided a clear message to the East Asian countries that the U.S. was prepared to take strong actions to protect itself from adverse repercussions in international trade.

The final round of negotiations began in mid-September when Jurich and other members of the negotiating team were dispatched to East Asia, while a delegation from Hong Kong met with negotiators in the United States. The negotiators informed the representatives of the four countries that the United States expected agreements to be reached by October 15. The possibility of unilateral action by the United States was raised with all four countries. At a press conference on October 12, 1971, President Nixon was asked whether the United States would set mandatory quotas if textile agreements were not reached. President Nixon responded that the United States would move unilaterally.<sup>134</sup>

The President's response made a strong impact in East Asia. By this time, an agreement had been reached with Taiwan and negotiations had shifted to Japan. Recognizing that a Japanese-American agreement was imminent, Korea sent a representative to Japan to negotiate as well. On October 15, agreements were reached with Japan, Korea, and Hong Kong.

Among the key provisions of the Korean agreement were:

- (1) A term of 5 years, beginning October 1, 1971;
- (2) An average growth rate for synthetics over the 5-year period not to exceed 7.5 percent, with the first year's growth not to exceed 10 percent;
- (3) Five percent carryovers allowable;
- (4) If specific levels within categories of textiles could not be agreed to, Korea was required to accept the level set by the United States.

The United States also agreed to \$100 million in development loans through fiscal year 1975, in addition to commitments already made, and to an increased annual level of Public Law 480 totaling \$275 million over 5 years beginning 1971. A formal agreement with modified terms was signed on January 4, 1972.<sup>135</sup>

According to the U.S. negotiators, of the four countries entering into quota agreements, Korea was the most severely threatened.

<sup>134</sup> President's news conference of Oct. 12, 1971 in Public Papers of the Presidents, Richard Nixon, 1971, No. 328, p. 1036.

<sup>135</sup> \$35 million per year in additional commodities and \$20 million a year to be generated by reductions in local currencies, to be provided to the United States under Public Law 480 agreements; see appendixes C-87 and C-89 respectively for full text of agreements.

Japan and Hong Kong, and to a lesser extent Taiwan, all had mature textile industries which had grown rapidly in earlier years, and further rapid growth was not anticipated. Korea, on the other hand, was still in the process of rapid growth. Ambassador Kenney noted that in conversations with President Park, he had tried to minimize the disruptive aspect of any future agreements. Kennedy suggested that as a result of any agreement, Korea could reduce its losses by upgrading the quality of its exports and would need less capital to build new plants and repair old plants. As it turned out, his argument proved correct. It has been suggested that Korea benefited from the agreement, especially when Public Law 480 and development loan assistance were taken into account, and, further, that the agreement forced Korea to diversify its export markets, to its subsequent advantage.<sup>136</sup>

President Park, however, had refused to accept Kennedy's argument. Park asserted that a special relationship existed between the two countries. He brought up his country's assistance in Vietnam and other points and suggested that the United States was using the textile negotiations as an excuse to break the friendship between the two countries.

In an effort to counter the push for an agreement, Korea had sought support from other elements in the U.S. Government. During the negotiations, ROK officials cited the comments of visiting Congressmen in opposition to a textile agreement. At one point, the team was informed that the Korean Government was stalling in order to raise the issue with Vice President Agnew on his visit to Korea. Though the negotiators had warned the Government not to do so, they were concerned enough to dispatch Rex Beach to Washington to brief Agnew. When Korea did raise the issue, Agnew deferred to Kennedy.

According to the negotiators, the situation was made worse by the attitude and actions of certain State Department officials who actively supported the Korean Government (and other governments), thereby reinforcing the ROK's unrealistic expectations that the United States would give up if resistance was strong enough. A high-level State Department official at one point had informed the Korean Ambassador in Washington that President Nixon did not support the negotiations fully and urged further resistance. Other information was leaked to the Koreans by State Department officials.<sup>137</sup>

It was these perceptions—the special relationship, the magnitude of the economic threat, and the belief that the negotiations could be thwarted—that made the Koreans, according to negotiators, the toughest to deal with. Unlike the other countries, the Koreans had refused to budge until the pressure against them became too great. Then suddenly their resistance collapsed.

The negotiators had used a variety of techniques. In addition to the "carrot" of Public Law 480 and development loans, the negotiators attempted to use a "stick"—the Congress and its protectionist sentiment (both in general and toward textile imports) and the

<sup>136</sup> Subcommittee staff interviews.

<sup>137</sup> Subcommittee staff interviews.

effect that unsuccessful negotiations would have on appropriations.<sup>138</sup>

In retrospect, the emphasis on the inability of the executive branch to control congressional actions paralleled the position which the U.S. Government had previously asserted with respect to the modernization plan.<sup>139</sup> To the Koreans, exports ranked second only to the issue of security. Undoubtedly, the negotiations reinforced Korea's belief of the need to increase its influence with Congress and the American people.

The negotiations had concluded with a threat of U.S. power. The United States was able, and appeared willing, to limit Korean textile imports unilaterally. The Koreans could do nothing but agree voluntarily to limit exports.

The issues underlying the textile negotiations were complex. The political considerations of President Nixon's southern strategy unquestionably played a role. However, serious economic considerations motivated U.S. actions as well. The textile agreement also raised the issue of free trade, which continues to rage.

Ironically, the textile dispute was due in part to the success of Korean-American cooperation in the 1960's. AID and the ROK Government had actively promoted the growth of labor-intensive industries such as textiles. The United States had loaned funds for industrial development and had backed Korea's export policy. That Korean textile exports could affect U.S. industries was a sign of the success of American and Korean economic effects and represented a new aspect to their economic relations. On the other hand, the conduct of the negotiations—with Korea's intransigence and the U.S.'s assertion of power—indicated that diplomatically, at least, the two countries' relations had not reached a concomitant level of development.

#### *The oil crisis—1974-75*

On March 27 and 28, 1974, the Consultative Group on Development Assistance to the Republic of Korea<sup>140</sup> reviewed Korea's economic performance in 1973, its prospects for 1974, and its plans for the following decade. It noted the remarkable recovery in 1973 from the 1971-72 slowdown and the greatly improved outlook for a sustained high rate of growth. However, in the short run Korea was seen as one of the countries most severely to be affected by the quadrupling of oil prices in October 1973 because of its dependence on imported energy sources from the Middle East and its strategy of exporting manufactured goods rather than primary products. The group also expressed concern about Korea's current and future balance of payments. However, it concluded by supporting Korea's growth policy and agreeing that Korea deserved the support of capital exporting countries and international organizations.<sup>141</sup>

By July 1974, the group's prognosis proved correct. Industrial production, after an initial pause in December 1973 and an expan-

<sup>138</sup> Subcommittee staff interviews.

<sup>139</sup> See "Part C-I. Security and Political Affairs," pp. 69-71.

<sup>140</sup> The Consultative Group on Development Assistance to the Republic of Korea consists of 11 countries, including the United States and Japan, and five international organizations, including the IMF and the World Bank.

<sup>141</sup> OECD 07708, Mar. 28, 1974.

sion through February of approximately 20 percent above the previous quarter, declined 8 percent through May. In May alone, the decline was 4 percent. Further, the Seoul consumer price index rose more than 16 percent over basically the same period. Initially the GNP increased, reflecting the 1973 boom, but then it too began to level off. Increased oil prices and weakening demand in international markets produced a significant deterioration in the balance of payments and once again necessitated heavy reliance on external financing.<sup>142</sup>

In response to those conditions, the Government took what the American Embassy described at the time as "[the] calculated risk of stimulating domestic demand on the assumption that export demand will strengthen by the end of the year." The Embassy noted that ROK policies were adopted "to avoid business difficulties and unemployment at the risk of aggravating inflation and balance of payments."<sup>143</sup>

By the end of 1974, the calculated risk had not worked and, in the face of continued weak demand worldwide for its exports, the Government announced in December its "Special Measures for Improvement of Balance of Payments and Business Recovery." Its main feature was a devaluation of the exchange rate from 400 to 180 won to the U.S. dollar. Again, however, the policies were designed to stimulate the economy, continuing the calculated risk.

#### *U.S. evaluation and recommendation*

The Embassy reviewed the Korean economic situation in detail in April 1975, concluding that the Government's need for securing foreign exchange to finance its huge balance of payments deficit of over \$2 billion continued to be the prime economic problem. During the first quarter of 1975, Korea had financed its balance of payments gap principally through short-term bank borrowing, with net foreign assets dropping to minus \$623 million. During the same period, import refinancing by commercial banks, mostly United States, rose to \$986 million, exceeding gross revenues for the first time. These and other factors led to speculation that Korea's foreign exchange credits might be approaching available limits. The Embassy suggested that "the calculated risk would have to be reassessed in light of conflicting pressure to avoid unemployment and reduce imports for domestic consumption." It noted that the Government was talking about fiscal and monetary restraint, but that political considerations were impeding implementation of necessary policies.<sup>144</sup>

The Embassy estimated that the balance of payments deficit would narrow progressively in the latter part of 1975, but noted that foreign exchange problems would continue for the next 6 months and that funding sources were limited. In light of this analysis, the Embassy made the following recommendation regarding assistance (similar to earlier recommendations):

As much [Public Law] 480 as soon as possible in [fiscal year] 1976; early approvals of pending EX-IM loan applications, to help maintain investor lender confidence; support of Korean requests for IMF credits; \$1 billion in long- and short-term credits in past [sic] 15 months, to see Korea through what appears to be remaining limited

<sup>142</sup> Seoul 04528 (1), July 12, 1974; Seoul 04616 (1) July 16, 1974.

<sup>143</sup> Seoul 04528 (2), July 12, 1974.

<sup>144</sup> Seoul 2528 (2), Apr. 15, 1975.

period of FX [foreign exchange] difficulties; consideration of possible USG guarantees for commercial and bank borrowing by hard-hit middle economies such as Korea; and possible approaches to Middle East lenders re loans to Korea. In addition the consultative group meeting, scheduled for July 1-13 in Paris, should be used to examine appropriateness of Korea economic policies in light of prevailing conditions and outlook.<sup>145</sup>

Later that month, the Korean Government undertook a series of measures to improve the balance of payments situation, including a prohibition against won bank loans for purchases of imports, higher import deposits, and increased import incentives. In a dramatic move, the Government announced that Prime Minister Kim Jong Pil would visit Saudi Arabia's King Khalid within the month to follow up on earlier talks regarding cash loans, deferred oil payments, construction projects, and technical assistance.

Despite these efforts, others in the U.S. Government were neither as sympathetic in their judgment of Korean policies nor as generous in their recommendations for assistance as were Embassy officials. In May 1975, a representative of the Treasury Department visited Korea, reviewed the economic situation, and made a report which concluded:

Korean economic policy in the past six months can only be characterized as irresponsible \* \* \* To choose to expand rather than cut back in a time of rising balance-of-payments deficit with low reserves and short-term credit already heavily utilized is an extremely chancy operation. The economic leadership knows the risks and is clearly worried \* \* \* obviously under great political pressure to maintain growth and employment so as not to aggravate an already tense political situation.

*Bilateral Assistance.* The United States has resumed shipment under its PL 480 "commitment" \* \* \* The basic issue is when does Korea "graduate" from the highly concessional terms on which U.S. assistance has normally been extended. It has a per capita GNP of over \$500. Actually, a [development loan] phase-out would have occurred five years ago when income was half this level \* \* \* but did not because of the textile issue. In view of the post-Vietnam situation and Korea's balance-of-payments situation, there is a great temptation to "help." Even though the amounts would not be large in relation to needs, nothing could be more pernicious. It would place, in effect, U.S. support behind the wrong kind of policy now being pursued and weaken the influence of the IMF just at the point when it is in a position to provide enough assistance to exert some influence on policy.<sup>146</sup>

The Treasury representative also looked at U.S. assistance in a broader context—that of multilateral assistance. He suggested that U.S. aid again be used as a lever to establish, in conjunction with IMF's consideration of an extended drawing fund, a more vigorous stabilization policy.

#### *Korea's request for additional U.S. assistance*

On the day that the Treasury report was submitted to the Embassy, the ROK Government appealed to Washington for additional assistance. On June 20, Deputy Prime Minister Nam Duck-Woo followed this request with a similar one to Ambassador Sneider, who reacted immediately and favorably. In a cable that day to AID Administrator Parker and Assistant Secretary of State Habib, Sneider stated:

As you know, it has not been our intention to recommend additional development lending beyond that originally programmed for FY 1975. Proposed Public Law 480 levels for FY 1976 will provide significant assistance of a balance of payments nature. However, we believe an economic and developmental justification can be made for quick disbursement type development lending in support of rural develop-

<sup>145</sup> Ibid.

<sup>146</sup> Korea trip report, May 23, 1975, pp. 15-18; see appendix C-91.

ment in FY 1976. Such lending would be most useful in influencing a more forthcoming attitude on the part of the Japanese and possibly other donors toward assistance for Korea. It would clearly serve broader U.S. interests by providing both tangible and symbolic evidence of our continued concern and support for Korea's economic and social growth and development, as well as their defense capabilities.<sup>147</sup>

With Korea's economy in an uncertain state, the Eighth Meeting of the Korea Consultative Group was held on July 1-2, 1975. There was a general consensus that the balance of payments difficulties would continue until recessions eased in Korea's major export markets—the United States and Japan—and that tight monetary and fiscal policies combined with foreign borrowing would be necessary to avoid undue social and economic disruption. While the World Bank generally was sympathetic to Korea's situation and responses, both the IMF and Japan were more critical. The United States was also critical of policies "that in effect financed production in excess of demand by foreign borrowing." However, the United States did concur with the World Bank that Korea needed substantial assistance and expressed gratification at the response of the World Bank and IMF to Korea's needs.<sup>148</sup>

As for future assistance, Assistant Minister for Planning Suh noted that Korea had loans of \$2.2 billion in the pipeline at the end of 1974, but needed at least \$600 million in new commitments.

The participants, while not pledging specific amounts, indicated they would provide future assistance:

Japan stated the 1975 assistance would be about \$78 million for specific projects;

World Bank noted that \$335 million in assistance was planned for fiscal year 1976;

The IMF noted that further drawings from its oil facility depended on resources to be raised from OPEC and others;

The U.S. noted its recent plan for \$150 million for Public Law 94-80 in fiscal year 1976, consideration of \$30 million for housing investment guarantees, and continued access to Ex-Im loans.<sup>149</sup>

In subsequent months, Korea's economic situation improved considerably. Exports rebounded during the second half of 1975, easing the unemployment and underemployment of the previous year. bumper grain crops also contributed to GNP growth. At the same time, the confidence of American bankers recovered from post-Vietnam fears, and increases in outstanding lines of credit were granted. By early 1976, the Korean Government, the IMF, and the United States generally agreed that Korea had weathered the aftermath of the oil price increase remarkably well. The Korean Government itself remained sufficiently concerned, however, to make balance of payments and inflation the top priorities for the year.<sup>150</sup>

The U.S. role during the oil crisis and its aftermath was not as pervasive as the problems of the earlier '70s. The United States did not condition its assistance on policy changes, nor was it the largest supplier of foreign lending. Nevertheless, U.S. support was

<sup>147</sup> State 04477, June 20, 1975.

<sup>148</sup> OECD P17307. The U.S. position was consistent with embassy recommendations that the United States avoid stressing the seriousness of Korea's short-term foreign exchange position, which might reduce investor confidence and adversely affect Korea's financing possibilities. Seoul 3738, May 27, 1975).

<sup>149</sup> OECD P17307.

<sup>150</sup> Seoul 01801, Mar. 11, 1976.

important, both economically and psychologically. The \$150 million in Public Law 480 for fiscal year 1976 was long-term, low-interest assistance. It helped Korea to minimize foreign exchange problems in future years. Psychologically, the continuance of U.S. economic and military assistance provided moral support for Korea's efforts to obtain the huge amounts of external financing it needed at a time when additional financing was becoming extremely difficult to find. Without this support, Japan and other donors, already apprehensive about Korea's future, were less likely to contribute to Korea's needs. U.S. support also strengthened the confidence of commercial lenders and investors, by the mid-1970's critical sources of foreign exchange.

### *Korean-American trade*

Throughout the 1970's, one of the dominant features of Korean-American economic relations was the continued growth of bilateral trade. While declining in relative terms, both Korean exports to the United States and Korean imports from the United States grew in absolute value, with the United States maintaining its position as the single largest market for Korea's exports and the second largest source of Korea's imports:<sup>151</sup>

[Dollars in millions]

Year	Korean exports to United States	Percent of overall exports	Korea's imports from United States	Percent of overall imports
1970.....	\$395.2	47	\$584.8	30
1971.....	531.8	50	678.3	28
1972.....	759.0	47	674.2	26
1973.....	1,021.2	32	1,201.9	28
1974.....	1,492.2	34	1,701.5	25
1975.....	1,459.9	30	1,851.4	26
1976.....	2,492.6	32	1,962.9	22
1977.....	3,118.6	32	2,447.4	23

Source: Department of Treasury.

In contrast to its active role in providing assistance, the U.S. Government traditionally had not played a major part in Korean-American trade except with regard to textiles. Most Government incentives for exports to Korea came from the Export-Import Bank, which representatives explained, treated Korea no differently than other countries. With the growth of Korea's economy, opportunities for U.S. exporters improved and Ex-Im coverage increased, as can be seen in the chart below.

<sup>151</sup> An official of the Department of Commerce explained that the predominance of U.S. exports to Korea during earlier years largely resulted from the tying of U.S. assistance to the purchase of U.S. products. As U.S. assistance declined in relation to Korea's overall GNP, the relative position of U.S. exports to Korea declined as well.

[Dollars in millions]

Fiscal year	Disbursements to Korea	Shipments <sup>1</sup> to Korea	Total
1970	7.4	2.6	<sup>2</sup> 10.1
1971	11.2	1.3	12.5
1972	6.2	9.3	15.5
1973	24.9	26.8	51.7
1974	54.0	69.4	123.4
1975	98.5	79.9	178.4
1976	66.9	64.6	131.5
1976 transition quarter <sup>3</sup>	14.4	21.4	35.9
1977	68.1	96.6	164.7

<sup>1</sup>Funds committed to transactions as insurance or guarantees, but not disbursed.

<sup>2</sup>Columns may not total due to rounding.

<sup>3</sup>Transition quarter, July–September, fiscal year 1976.

Source: Export-Import Bank.

The Bank's loans covered only a small portion of overall Korean exports to the United States and constituted only a small percentage of its own worldwide business.

In the 1970's, the growth of bilateral trade resulted in greater involvement by the U.S. Government in trade issues. In particular, the U.S. Government focused on liberalizing Korea's restrictive import policy. On the other hand, the United States, in response to competition with American industries by Korean industries, sought to impose its own restrictions on Korean imports. It did, however, encourage a large number of noncompetitive imports from developing countries by initiating a duty-free system, from which Korea benefited greatly.

#### *U.S. efforts to liberalize Korea's import policy*

Korea's import policy had been of interest to the U.S. Government throughout the 1960's, as the United States sought to rationalize Korea's import restrictions. While the United States wanted Korea to remove a number of items from its import list, Korea's balance of payments situation was such that the United States did not consider it appropriate to press for trade liberalization.

By the 1970's, however, Korea's economic growth made its import restrictions more costly to the United States, and at the same time made trade liberalization economically feasible. In June 1973, the Embassy in Seoul reviewed the Korean import regime and its implications for the United States, noting that the high tariff levels appeared to be a significant deterrent to U.S. exports, as was the impressive array of nontariff barriers. The Embassy concluded that these restrictive policies had an adverse impact on a wide range of exports to Korea.<sup>152</sup> The Korean Government, aware of this U.S. concern, had been actively encouraging its businessmen to buy American.<sup>153</sup>

The problems created by the oil price increase prevented more active efforts by the United States during 1974 and 1975. In 1976, Korea's economic performance made new initiatives acceptable, and during 1977 and 1978 the United States pressed for further liberalization. The Korean Government also showed greater inter-

<sup>152</sup> Seoul A-192, June 11, 1973.

<sup>153</sup> Seoul 3395, May 29, 1973.

est in liberalizing trade in order to counteract the overly rapid increase in Korea's foreign exchange reserves, hold down domestic prices, and show its trading partners that it was willing to open its markets as circumstances permitted. The Government established plans to reduce its tariff rate to 25 percent. Since 1977, the Government eased import restrictions on groups of items and eliminated restrictions on others.<sup>154</sup> Recent estimates by the U.S. Embassy indicate that Korea's trade deficit for 1978 will increase by nearly \$1 billion as a result of recent trade liberalization measures.<sup>155</sup>

In general, U.S. Government officials considered Korea's effort encouraging, but believed that greater liberalization was desirable from both U.S. and Korean perspectives. In particular, they noted that many nontariff barriers to imports remained. However, with the major focus of U.S. and Korean trade concerns on the multilateral trade negotiations being conducted in Geneva, the United States was not seriously pressing the Korean Government further on the issue.<sup>156</sup>

#### *U.S. restrictions on Korean exports*

The United States also periodically undertook actions to restrict Korean exports to this country. The most significant of these was the 1971 textile agreement, discussed earlier. In 1977, the United States sought to limit Korean exports of non-rubber footwear and mushrooms under section 201 of the Trade Act of 1974, which provides relief from import competition causing or threatening to cause serious injury to a domestic U.S. industry. Imports of footwear from a number of countries had been of concern to the U.S. footwear industry for 10 years. In 1977, imports almost equaled total domestic production (368 million pairs vs. 391 million pairs). Taiwan, not Korea, was the major exporter, although in 1977 Korean exports accounted for over 30 percent of total U.S. imports. In February 1977, the International Trade Commission (ITC) found that footwear imports were a substantial cause of serious injury to domestic industry, and as a result the President ordered the Special Representative for Trade Negotiations to negotiate marketing agreements with Taiwan and Korea. In June 1977, a system of graduated quotas was agreed to, cutting back exports of footwear to the United States from both countries.

In June 1977, the ITC also recommended that relief be provided from imports of mushrooms to the United States. Again, Taiwan, not Korea, was the principal exporter, although in 1976 Korea accounted for just under 30 percent of total imports. The President rejected the ITC recommendation as not being in the national economic interest and instead sought and received assurances from Taiwan and Korea that their exports would not disrupt U.S. markets. No quantitative limits were set.<sup>157</sup>

These examples of U.S. protectionism deeply concerned Korea, which viewed them as part of a worldwide pattern threatening its economic growth. In response to the ITC's initial recommendation that tariff quotas be imposed on footwear (which was rejected by the President), a Government-owned newspaper, the English-lan-

<sup>154</sup> Subcommittee staff interviews.

<sup>155</sup> Seoul A-148, Sept. 6, 1978.

<sup>156</sup> Subcommittee staff interviews.

<sup>157</sup> The above information came from subcommittee staff interviews.

uage Korea Herald, indicated that footwear was the first of many Korean products which would eventually face restriction in the U.S. market. The Korea Herald, along with the Korea Times, also reported that the Korean and other affected Governments were planning to undertake diplomatic efforts against the recommendation.

Korea's concern was not unwarranted. The U.S. Embassy estimated that Korea's worldwide exports had been reduced in 1976 by 400 million as a result of overseas trade restrictions, with losses from U.S. restrictions estimated to be over \$78 million. The decline was projected to be even greater in 1977. The Embassy referred to trade protectionism "without question, as the main bone of contention between Korea and its overseas trading partners."<sup>158</sup>

#### *Generalized system of preferences*

While the United States was seeking to limit Korea's exports of certain items, in 1976 it established a "Generalized System of Preferences" (GSP) for U.S. imports from developing countries, from which Korea benefited greatly. The GSP allows eligible developing countries to export close to 3,000 items to the United States duty-free.<sup>159</sup> In 1977, Korea exported items valued at over \$531 million duty-free, out of total U.S. imports for those items from all countries of \$4.65 billion.

Developing countries, including Korea, could themselves choose to be eligible for GSP, which Korea did. Some trade specialists have suggested, however, that Korea and a small number of other countries should not receive this preference because of their relatively high stage of development. In particular, Korea and Taiwan dominated the import market for many specific items, at the expense of other less developed countries. Others argued, on the other hand, that the less developed countries would not be able to compete with Korea in any event and that there were no guidelines for complete removal of any country from the GSP. Further, they considered as inequitable the removal of countries from the GSP list prior to the 5-year review period mandated by the statute. At present, no efforts are being made to rescind Korea's eligibility.<sup>160</sup>

#### MILITARY ASSISTANCE IN THE 1970'S

Military assistance in the 1970's was substantial and, as in the 1960's, was closely tied to economic assistance. It was also important in another way. As one expert noted, "Security on the peninsula is absolutely fundamental to investor confidence."<sup>161</sup> In the 1970's, several U.S. and Korean programs were implemented which were designed to enhance Korea's security. Despite some disappointment on the part of Korea over the 1971 U.S. Modernization Plan and a change from grant military assistance to credit sales, investor confidence was not diminished.<sup>162</sup> The Korean economy

<sup>158</sup>Seoul A-206, Dec. 5, 1977.

<sup>159</sup>Countries can be removed on a temporary basis if they export more than 50 percent of the total amount of imports or more than an absolute dollar value (presently \$33.4 million) of any single item.

<sup>160</sup>Office of Special Representative for Trade Negotiations.

<sup>161</sup>Subcommittee staff interviews.

<sup>162</sup>KI-6.

was able to withstand the decline in U.S. grant military assistance and the switch to loans, and the Korean Government successfully increased its own defense expenditures, without jeopardizing Korea's economic growth.<sup>163</sup>

A number of difficult issues did raise, however, in the 1970's in connection with military assistance. The Koreans believed that the \$1.5 billion Modernization Plan would be provided largely in the form of grants and would be completed in 1975. In both these assumptions they were mistaken. The program was not completed until 1977, due to Congress failure to appropriate the full amounts requested by the Defense Department. Further, beginning in 1975 the United States switched much of its assistance to the foreign military sales (FMS) program, a cash and credit program. One result of the delay was that the United States phased out operations and maintenance support substantially more quickly than planned, in order to concentrate on the provision of new equipment.<sup>164</sup> Another result was that the ROK Government realized that, whatever the Defense Department wanted to give, congressional attitudes made the prospects for full appropriations uncertain. This uncertainty on the part of the ROK Government was a primary impetus behind Korean efforts to influence Congress.<sup>165</sup> The Koreans also worried that these program changes might indicate a decline in the U.S. commitment to Korea's security.

In 1971, despite the continuing presence of two ROK divisions in Vietnam, the United States also resumed the MAP Transfer Program,<sup>166</sup> and Korea became responsible for materials totaling \$210 million from 1971 through 1975. The United States helped Korea absorb this extra cost by increasing the Public Law 480 program by \$125 million over 5 years. In 1971, \$20 million of this was allocated specifically for military budget support. After 1971, because Public Law 480 had been amended to preclude use of funds for purposes other than economic development, the procedures for providing the offset had to be changed. As the AID Mission Director explained to Korea's Deputy Prime Minister, Public Law 480 funds would have to be allocated for economic development, but that would free Korean resources for use in the national defense budget.<sup>167</sup> The total Public Law 480 offset provided from 1971 through 1975 was \$125 million. Thus, the MAP Transfer Program cost Korea only \$85 million for the period. The General Accounting Office found that "Public Law 480 proceeds are intentionally being used as indirect military budget support" in contravention of congressional direction.<sup>168</sup>

According to the Brown Memorandum, compensation was to be provided for Korean troops in Vietnam as long as Korea had at

<sup>163</sup> Ibid. p. 59.

<sup>164</sup> KI-6.

<sup>165</sup> See "Part C: I. Security and Political Affairs," (pp. 67-71).

<sup>166</sup> Op. cit., GAO, "Supplement to the Report on U.S. Assistance \* \* \*," 1973, p. 2.

<sup>167</sup> Ibid., p. 30.

<sup>168</sup> The changes in 1966 in the Public Law 480 legislation prohibited "country uses" of Public Law 480 for military budget support. The "U.S. uses" portion was not subject to that prohibition. However, the "U.S. uses" portion was designed to provide a small fund of currency for official use in Korea. As GAO noted, "Some Members of Congress have expressed their concern over the use of Public Law 480 program proceeds for military budget support. For example, it is still permissible to use U.S.-uses funds for direct military budget support, but the Senate Committee on Foreign Relations has proposed further amending Public Law 480 to prohibit such agreements unless each agreement is specifically authorized by legislation." Op. cit., GAO, "Supplement to the Report on U.S. Assistance \* \* \*," p. 4.

ast two divisions there, which was until 1973. However, in 1971, Congress voted to cut off certain of the payments. In 1973, the U.S. Government arranged for "close-out payments" which in effect compensated Korea for about \$170 million in expenses incurred in the prior 2-year period.<sup>169</sup>

Concern about the strength of the U.S. commitment led to President Park's decision to institute the 5-year, \$5 billion force improvement program (FIP) in 1975. It was designed to make Korea militarily self-sufficient, provided the United States contributed significant air, naval, and logistical support."<sup>170</sup> Although the United States provided substantial FMS credits for the program, about \$275 million per year, 65 percent of the funding came from Korea's own foreign exchange reserves. In addition, Park levied a national defense tax to support the 28 percent increase in the ROK defense budget from 1975 to 1976.

The defense portion of the Korean GNP rose from about 4 percent in 1970 to 5.3 percent in 1975 to almost 7 percent in 1977. Despite the increased defense burden, Korea's annual GNP growth rate continued at the high rates of the 1960's (the average rate in the 1970's was over 10 percent) and the economy was clearly strong enough to support the increase. The foreign exchange losses resulting from the reduction of U.S. forces in Korea in 1971, and the end of the Vietnam earnings in 1973, caused a decline in these receipts from \$292 million in 1970 to \$63 million in 1976. However, they did not have a strong impact on the economy either. Other receipts, primarily from tourism, had increased at the same time and covered the difference on the invisible earnings account. Similarly, it is not anticipated that the troop reductions announced for the coming years will have a substantial economic impact because of export earnings and total capital inflows.

#### CONCLUSION

The dominant feature in Korean-American economic relations since 1961 was the successful development of the Korean economy, which grew at an average annual rate exceeding 9 percent for nearly two decades, among the world's highest growth rates. Exports, the catalyst for economic development, went from less than \$0 million to over \$10 billion during the same period. Other statistical indicators were equally impressive.

A number of factors contributed to this remarkable achievement. Foremost were the Korean people themselves: Educated, industrious, disciplined; they were Korea's greatest natural resource. The Korean Government deserved credit for having placed a priority on economic growth and directing the economy with firm resolve.

The role of the U.S. Government was significant, too. In the 1960's, economic assistance was the major source of funding for industrialization, and both economic and military assistance freed Korea from a substantial portion of the defense burden. At the same time, AID officials were integrally involved in Korea's economic planning, helping to formulate projects and programs and

<sup>169</sup>The closeout agreements totaled \$365.3 million, but appear to include prior payments. Subtracting the payments, as reported to the Symington Subcommittee (see chart on p. 176), the additional payments totaled about \$170 million. Op. cit., GAO, "U.S. Agreements \* \* \*," p. 13.

<sup>170</sup>KI-6, Part 2.

urging necessary and unpopular institutional reforms. U.S. training of Korean economic and administrative officials also contributed to the success.

As the economy grew in the late 1960's and 1970's, Korea became increasingly independent, and as a natural result, the U.S. role diminished in some respects. The U.S. Government itself encouraged the transition. Nevertheless, when the turbulent economic events of the 1970's threatened prosperity, the United States provided necessary financing and exerted influence with both Korea and the international community to help Korea surmount its problems. Important in the actions and reactions of Korea and the international community during these times was the security that the U.S. military presence represented.

Korean-American economic relations cannot be understood without looking at the strategic and security concerns of both countries. Throughout much of the 1960's and 1970's, AID emphasized that its involvement in Korea's economic development was in support of broader U.S. objectives. Development would ultimately enable Korea to defend itself, create a solid buffer between Japan and the Communist countries of northeast Asia, and free the United States from the financial burden of Korea's defense. Development would also foster political stability and internal security supportive of these goals. Further, an economically strong Korea would prove the efficacy of the non-Communist system of development.

The Korean Government viewed economic development in much the same way, desiring sufficient economic strength to provide for its own defense and free itself from military dependence on the United States. This was particularly so in the late 1960's and early 1970's, as Koreans perceived a diminution of the U.S. commitment. They recognized continued economic growth was crucial to political legitimacy and as a justification for rigid internal controls.

In an ironic sense, the measure of Korea's economic success and of the American role were the conflicts generated between the two countries. The U.S. position in 1970 to reduce the troop level was based in part on a conclusion that the Korean economy could support a greater portion of the defense burden. U.S. efforts to limit textile exports resulted from the growth of Korea's textile industry and its impact on an important segment of the American economy. All nations resist foreign efforts to restrict their exports, but Korea's resistance was also a vestige of its prior dependence, as well as a result of its strong desire for economic self-sufficiency.

These events and the Korean reaction to them did much to determine the nature of Korean-American relations in general, including the intense efforts by the ROK to influence Congress and the American people. The U.S. Government itself contributed to the initiation of these efforts by failing to recognize that economic development had outstripped Korea's perception of its own capabilities, and by emphasizing that ultimate power over levels of assistance lay with Congress.

Despite the generally positive nature of Korean-American economic relations, there were also some problems. ROK policies in the 1960's, supported by the U.S. Government, resulted in a substantial portion of Korea's rural population migrating to urban areas, creating a large labor pool for industrialization. Industrial

prices were deliberately kept low to give exports a competitive advantage, and organized labor was severely restricted. Throughout much of the 1960's and early 1970's, farm prices were also kept low to eliminate a source of urban discontent, hampering the development of rural areas and agriculture. Social welfare in all sectors lagged behind economic development.

By the late 1960's, the U.S. Government had become concerned about the effects of these policies but, unlike its response in relation to policies affecting development and stability, did little to alter them. This was due in part to a conflict in U.S. objectives, with military and overall economic stability having priority over social welfare and rural development. In fact, the massive infusions of Public Law 480 assistance, although ostensibly linked to agricultural self-help measures, actually may have served to a degree as a disincentive to agricultural development. Further, the intent of Public Law 480 assistance was further distorted in the 1970's by its direct use to support military objectives.

In retrospect, it is clear that the productive aspects of Korean-American economic relations predominated. The Subcommittee concluded that Korea stands as a unique example of the success of U.S. assistance and of the constructive possibilities inherent in cooperation between the United States and developing countries.

#### SPECIAL ISSUES RELATING TO ECONOMIC RELATIONS

At the beginning of the investigation, the subcommittee heard allegations of questionable and illegal activities in three areas of Korean-American economic relations. Specifically, the allegations involved manipulation of the Public Law 480 program, particularly with respect to rice sales, by American and Korean officials; rigging of U.S. military procurement contracts in Korea; and payments by U.S. corporations to the Korean Government and its officials and agents. Each of these issues received special attention by the subcommittee and are discussed in the following subsections.

#### FOOD FOR PEACE PROGRAM

The objectives of the Food for Peace Program (Public Law 480) are:

• • • to expand international trade; to develop and expand export markets for U.S. agricultural commodities; to use the abundant agricultural productivity of the United States to combat hunger and malnutrition and to encourage economic development in the developing countries, with particular emphasis on assistance to those countries that are determined to improve their own agricultural production; and to promote in other ways the foreign policy of the United States.<sup>171</sup>

<sup>171</sup> These objectives are contained in the preamble to the 1954 Agricultural Trade Development and Assistance Act, more commonly known as Food for Peace or Public Law 480. Basic changes in the law occurred in 1966, 1975, and 1977. The Food for Peace Act of 1966 (Public Law 89-808) substantially amended Public Law 480. Shifts were made to use Public Law 480 to improve the U.S. balance of payments situation. The disposal of surplus American agricultural commodities was de-emphasized. In 1975 the International Development and Foreign Assistance Act (Public Law 94-161) included new criteria for determining Public Law 480 recipients. At least 75 percent of title I sales had to go to countries with an annual per capita GNP of \$300 or less. The 1975 amendments stressed small farmer agricultural development. A 1977 amendment to the law raised the minimal per capita GNP to \$550. The amendment also linked title I sales more closely to agricultural development and improvement in the quality of life of the recipient nation's poor. Other amendments to the law include: Public Law 90-436 approved July 29, 1968; Public Law 91-524 approved November 30, 1970; Public Law 92-42 approved July 1, 1971; and Public Law 93-86 approved Aug. 10, 1973.

Under the authorizing legislation, the Department of Agriculture has primary control and funding of Public Law 480. An Interagency Staff Committee (ISC) was established, chaired by Agriculture and composed of representatives of the Departments of State, Defense, Treasury, the Office of Management and Budget (OMB) and the Agency for International Development (AID).<sup>172</sup> The ISC would meet weekly, and each agency would express its views on Agriculture's decisions regarding Public Law 480 allotments. The ISC was to mold conflicting interests into a required consensus before final approval of assistance.

The State Department regarded Public Law 480 as a foreign policy tool, a means of providing general budget support to U.S. allies. The Defense Department saw it as a means of supplying nations with additional military assistance. AID promoted the use of Public Law 480 for economic development. OMB examined Public Law 480 allotments in terms of budgetary constraints, while Treasury was concerned with the possible inflationary impacts of the program.

Through the first half of the 1960's, Agriculture's objectives guided Public Law 480 allocations. Agriculture saw Public Law 480 primarily as a means of establishing markets for U.S. commodities and disposing of surplus agricultural products abroad. By the mid-1960's, however, the political and security interests of State and Defense and the economic objectives of AID came to dominate allocations.

During the 1950's and 1960's, the U.S. exported large amounts of Public Law 480 commodities to Korea on a grant or concession basis. These consisted largely of cotton, wheat, and rice and were meant to cover deficiencies in Korean production. As production increased in the late 1960's and as the economy developed sufficiently for Korea to purchase commodities on a commercial basis, Public Law 480 was expected to decline. In fact, AID projected an end to the need for Public Law 480 by 1971. However, the program was continued beyond that time principally because of factors other than food and development needs and despite objections from the responsible U.S. Government agencies. The Department of Agriculture favored commercial sales over Public Law 480 assistance and AID agreed that Korea was ready to "graduate" to those. However, the Department of Defense, the White House, certain Congressmen, and Tongsun Park, along with Korean Government officials, kept Public Law 480 assistance levels high in the late 1960's and the 1970's, as can be seen in the following table:

<sup>172</sup> The above mentioned agencies were the most active members of the ISC. Other agencies which are or were members of the ISC at one time or another include; the Department of Commerce, the Office of Economic Planning, and the United States Information Agency. Other agencies which occasionally attend the ISC to express their views have been the National Security Council and the Council on International Economic Policy.

## PUBLIC LAW 480 SHIPMENTS TO KOREA BY YEAR

[In millions of dollars]

Year	Title I	Title II	Total
1955		7.3	7.3
1956	14.6	9.7	24.2
1957	48.3	16.0	64.4
1958	35.2	16.5	51.6
1959	17.0	10.6	27.6
1960	23.9	8.3	32.2
1961	28.7	15.1	43.8
1962	49.0	9.6	58.7
1963	82.4	7.5	89.9
1964	67.9	13.5	81.4
1965	59.2	13.7	72.9
1966	31.9	23.5	55.4
1967	37.9	34.6	72.6
1968	48.6	26.8	75.4
1969	142.5	43.0	185.5
1970	99.1	17.1	116.2
1971	120.1	24.0	144.1
1972	144.5	10.8	155.3
1973	143.6	10.8	154.4
1974	5.7	5.6	11.3
1975	73.9	4.4	78.3
1976	62.8	.2	63.0
1976 transition quarter	74.7		74.7
1977	72.1		72.1

Sources: AID, Food for Peace Offices, and U.S. Department of Agriculture.

Note: Totals have been rounded.

*Public Law 480 and the Defense Department*

Sales of Public Law 480 commodities generated *won* which the Koreans used for military budget support. In 1966, Congress amended the Public Law 480 legislation so that, effective 1972, currency generated from Public Law 480 sales had to be used for economic development. This precluded their use for military purposes. Through 1971, however, Korea was able to and used as much as 80 percent of Public Law 480-generated funds for military purposes.<sup>173</sup>

Even after 1971, Public Law 480 was used indirectly to support military assistance by applying it to help Korea offset the costs of the MAP Transfer Program, reinstated in 1971. An additional allocation of Public Law 480 totaling \$125 million was made between 1971 and 1975 for this purpose.<sup>174</sup> The intent and net effect of the allocations were to free ROK Government resources for national defense purposes. Defense Department requests resulted in commodity imports judged unnecessary for Korea's economic development, circumventing the spirit of the congressional mandate.<sup>175</sup>

<sup>173</sup> The amendment to Public Law 480 in 1966 pertained to country-use funds, which was the local currency generated from the sale of Public Law 480 commodities used by the Korean Government. See "Part C-IV Economic Relations," pp. 162-163.

<sup>174</sup> See pp. 173-174 of this section.

<sup>175</sup> From 1971 to 1975 Congress apparently was not aware that Public Law 480 was being used in a form of military assistance.

*Public Law 480 and the White House*

Public Law 480 assistance was used by the White House to gain Korean acquiescence to the 1971 Textile Agreement.<sup>176</sup> In that year, the U.S. promised Korea \$275 million in Public Law 480 assistance over a 5-year period. This was over and above programmed needs and without consideration of development objectives or Korea's food needs. Interviews with U.S. officials responsible for determining levels of Public Law 480 indicated that this commitment prevented any objective evaluation of Korea's actual Public Law 480 needs and preempted their decisionmaking authority.

*Public Law 480 and the Korean Government*

Public Law 480 assistance facilitated Korea's policy of purchasing some domestic grains at artificially low prices. U.S. officials aware of this policy and how Public Law 480 was being used to further it, urged the ROK Government in 1969 to alter the grain purchasing policy and made plans to tie future Public Law 480 assistance to changes in the pricing policy. It appears that Public Law 480, coupled with Korea's grain-pricing policy, was a retarding influence on the growth of Korean agriculture in the 1960's.<sup>1</sup>

*Others interested in Public Law 480*

Rice appears to have been the only commodity manipulated improperly, and at times illegally, by American and Korean Government officials. Public Law 480 had been of interest to American rice-growers and their representatives in Congress for a long time because increases in exports helped keep the market price high.

The United States began supplying rice to Korea under Public Law 480 in 1968 at the request of the Korean Government. From this date, at least two Congressmen used their positions to induce Korea to buy large amounts of rice, and in the process usurped the prerogatives of AID and Agriculture to determine appropriate levels. Korean officials used the rice deals for political and personal aims as well as to subsidize activities designed to influence American policy toward Korea.

Specifically, former Congressman Richard Hanna and Tongsun Park met with Prime Minister Chung Il Kwon and KCIA Director Kim Hyung Wook in Seoul in 1968 and agreed to make Park the selling agent for all Public Law 480 rice transactions. The Office of Supply of the Republic of Korea (OSROK) subsequently sent a letter to the California Rice Growers Association recommending that Tongsun Park be used for all rice deals, including commercial transactions.<sup>178</sup> The KCIA was also a beneficiary of Tongsun Park's rice agency. His diary showed that KCIA Director Kim had been

<sup>176</sup> See p. 191-196 of this section.

<sup>177</sup> Op. cit., AID, Korea fiscal year 1970 program memorandum, pp. 143, 151; KI-6.

<sup>178</sup> House Committee on Standards of Official Conduct, Korean Influence Investigation, part Oct. 21, 1977, p. 138. In 1969, Tongsun Park attempted to tie rice exports to Korea to support Korea's military assistance from the United States. Park met with at least one Congressman to discuss support for a \$50 million military aid bill and the possibility of Korea's purchase of additional U.S. rice. The bill passed and Korea did purchase additional rice, but there is no indication that Park's efforts affected the voting on the military aid bill. House Committee on Standards of Official Conduct, Korean Influence Investigation (hearings yet to be published).

paid \$20,000. The U.S. Embassy, however, received a report that Kim left Korea with \$500,000, most of it from rice commissions.

According to Public Law 480 regulations, any relationship between the selling agent and the buyer, in this case the Korean Government, was prohibited. The Department of Agriculture, suspecting Park of having ties with Korean Government officials, in 1968 requested information on Park from several agencies of the executive branch. The agencies replied that they had no "derogatory" information about Park,<sup>180</sup> leading USDA investigators to conclude in April 1969 that no ties existed between him and the Korean Government. It is clear, however, that the U.S. intelligence community was aware by the beginning of 1969 that Park had a close relationship with key figures in the Korean Government. The subcommittee was unable to discover why this information was not provided to Agriculture's investigators. Agriculture Department officials said that had this information been provided, Park could not have continued as the agent.<sup>181</sup>

From late 1970 until March 1972, Tongsun Park stopped participating in rice transactions with Korea. The reason reportedly involved the politics of rice in Korea. Park's mentor, Chung Il Kwon, was rumored to have lost favor because he had kept several hundred thousand dollars of the rice commissions he received from Park rather than turning them over to the Democratic Republican Party as was customary. Anti-Tongsun Park factions in the Blue House wanted to designate someone else as selling agent to assure the proper flow of U.S. funds into the party coffers. In addition, U.S. Ambassador Porter made representations to high-level Korean officials, primarily Prime Minister Chung Il Kwon, concerning some of Tongsun Park's activities. Porter did not complain about Park's role as a selling agent, but about his involvement with Members of Congress, pointing out that Park's activities were harmful to Korean-American relations. Porter also wrote Washington suggesting Park be "recalled".<sup>182</sup> Porter's representations and dissatisfaction in Korea with the distribution of rice commissions led to Tongsun Park's temporary removal as a selling agent in late 1970 and in 1971.

Former Representative Otto Passman used his position as chairman of the Subcommittee on Foreign Operations of the Committee on Appropriations to push rice exports to Korea more vigorously than any other Congressman. Neither American nor Korean officials appeared willing to resist Passman. AID was reluctant because Passman could, and did, hold up foreign aid bills in his subcommittee when his wishes were ignored. Korean leaders deferred to him because of his threats to delay the military assistance appropriations for Korea.

In 1970, Korea intended to purchase some 400,000 tons of rice from Japan, but later that year, decided to buy from the United States instead. By the time of the Korean request, the Agriculture Department had established allocations for the year and no more

<sup>180</sup> "Investigation of Korean-American Relations," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 95th Cong., 2d sess., part 4, ar. 15, 16, 21, 22; April 11, 20; and June 20, 1978 (hereafter referred to as "KI-4"), p. 565.

<sup>181</sup> *Ibid.*, pp. 132-139.

<sup>182</sup> See "Part C-III: Executive Branch Awareness of Questionable Korean Activities", pp. 8-129.

funds could be obligated for Korea under Public Law 480. However Agriculture eventually allocated money to finance 200,000 tons of rice and AID decided to use a development loan to underwrite the other 200,000 tons. Beneath the surface, Passman had engineered the rice agreement with Korea and arranged the way the rice would be financed. AID and Agriculture merely implemented Passman's plan. In a 1971 issue of the *Rice Journal*, Passman himself explained, in remarkably candid terms, how he sold 400,000 tons of rice to Korea:

I approached the President of Korea on this basis: We are allies, and while we are assisting your country, you are in turn assisting our country to help maintain freedom for the free people of the world—so we are in this struggle together. Also, had messages from President Nixon and Secretary of Defense Laird. This information was so very pleasing to the President that I gathered sufficient courage to approach him with our rice proposition. I told President Park that in our country we had a very large surplus of rice, whereas in his country he had a very large deficit. He was going to purchase a substantial amount of rice, either from Asia or from other countries. Now, inasmuch as it would be touch-and-go back in Congress as to whether or not we could legislate what had been proposed by Mr. Laird in updating the Korean military establishment, we would need the majority support of the 78 members of Congress from rice producing States, or we'd never be able to get this supplemental through. Therefore, we wanted the President to have another look at our proposition. As he had not yet made a firm commitment to buy Japanese rice, we wanted him to look at what we had to offer. The president immediately responded by saying that we had been fair about our approach on this matter, so Korea would purchase 400,000 tons of U.S. rice, providing that we could better Japanese terms. I answered him that I was with the legislative branch of the Government, and could not say we would better Japanese terms, but could equate them; and our terms would be firm. The President replied that, on that basis, we had his permission to issue a press release stating Korea would purchase 400,000 tons of U.S. rice.

Well, of course, upon my return it was up to me to arrange financing. Upon investigation, I learned that the Department of Agriculture had already turned thumbs down on financing Public Law 480 rice sales to Korea. So it was necessary for me to take this directly to the top level of the executive branch \* \* \*. The White House agreed with me and passed the word to the appropriate people to proceed on the basis of our agreement.

So the Director of the Budget raised the Public Law 480 ceiling to finance 200,000 tons of the rice. Then I worked out an agreement with Dr. Hannah, Administrator of the Agency for International Development, so that AID would finance the balance of 200,000 tons under the Development Loan Fund. All I needed then was a letter from Dr. Hannah, have him contact the White House, and the White House contact the Department of Agriculture. So Dr. Hannah gave me the letter stating that it had been agreed from the White House on down to finance the 400,000 tons of rice for Korea. I might add this, that I recognized we had a surplus of rice in the South and California. I thought there should be a proper division between the amount we could sell from the two areas. When the Government made the allocation, and started making deliveries, it was found that the southern portion was 16,000 tons short of the regional allocation agreed to. The Government wanted to switch the 16,000 tons to California. I vetoed that—I said no. We were going to hold it just like we agreed to.

\* \* \* On my part, it was a question of using my position and seniority in the Congress to see that the agreement was carried out.<sup>183</sup>

Passman again negotiated the rice allotment for 1972. It was agreed between the Korean Government and Passman that Korea would purchase a total of 800,000 tons from the United States—600,000 under Public Law 480, 133,000 under an AID development loan, and the remaining 67,000 tons to be purchased with Korean foreign exchange. AID complained that Passman's manner of providing the 800,000 tons of rice caused problems for AID and for the Korean Government. Passman's proposal required a development

<sup>183</sup> "Interview with Otto Passman," *Rice Journal*, September 1971, pp. 3-4.

loan of \$24 million rather than the \$17 million under the AID proposal, and would have left AID with insufficient funds for other development loan projects. Further, Passman's proposal required Korea to spend its scarce foreign exchange to purchase rice. An AID memo pointed out:

The IMF, the U.S., and others have been advising the Koreans against spending any more foreign exchange. This proposed deal further aggravates Korea's reserves position and places the U.S. in the uncomfortable position of causing the Koreans to go against the sound economic advice of the IMF and ourselves.

The memo concluded, however, that "despite the above problems, it appears that we may have to go along with this means of providing rice to Korea."<sup>184</sup> AID later informed Passman that it would go along with his proposals.

USDA's role of determining Public Law 480 assistance levels had been preempted by Passman's proposal and AID's concurrence. USDA notified AID that "they [USDA] had completed a worldwide review of U.S. rice supply and demand and that they had concluded that only 700,000 tons of Public Law 480 and DL-financed rice should be provided to Korea this year."<sup>185</sup> Commenting on the USDA position, AID officials admitted that the Koreans would probably live with Agriculture's decision since "the ROKG suggested that they might not require as much rice as they earlier had thought."<sup>186</sup>

In a draft letter for Agriculture Secretary Butz to send to AID Administrator Hannah, Agriculture voiced its reservations about AID's actions to "accommodate the wishes of Congressman Otto E. Passman. \* \* \* There appears to be some question as to whether Korea actually needs to import 800,000 tons of U.S. rice during calendar year 1972 \* \* \* and we cannot help but feel that your commitment to Congressman Passman has pre-empted our responsibilities."<sup>187</sup> The letter was never sent to AID. As a result of a phone conversation between Hannah and Butz, a substitute letter was forwarded which simply agreed to finance 700,000 tons of rice under Public Law 480, as arranged by Passman.<sup>188</sup>

On March 21, 1972, the Office of Supply of the Republic of Korea (OSROK) wrote to major American rice exporters that Tongsun Park again would be required as a selling agent for all rice transactions with Korea.<sup>189</sup> By this time, Chung II Kwon had regained favor in the Blue House and Tongsun Park had overcome opposition by having Members of Congress write flattering letters about him to President Park. In 1972, KCIA Director Lee Hu Rak reestablished KCIA control over the rice agency. The U.S. Government received reports that with the KCIA short of funds following the 1971 election in Seoul, Lee had intervened to supervise the rice purchases and was instrumental in having Park reinstated as a selling agent.

When Agriculture became aware of the 1972 OSROK letter, it instituted its second investigation of ties between Park and Korean

<sup>184</sup> Memorandum from Cleo F. Shook to Willard H. Meinecke, Dec. 3, 1971.

<sup>185</sup> Memorandum from Willard H. Meinecke to Dr. John Hannah, Administrator, AID, Dec. 30, 1971.

<sup>186</sup> *Ibid.*

<sup>187</sup> Draft letter from Earl L. Butz to Dr. John A. Hannah, January 1972, unsigned.

<sup>188</sup> Korean Influence Investigation, Part 2, Apr. 3, 4, 5, 10, and 11, 1978, hearings before the Committee on Standards of Official Conduct, p. 461.

<sup>189</sup> KI-4, p. 561.

Government officials. As a result of meetings among Agriculture officials, Tongsun Park, and Korean Government representatives Park withdrew himself as a selling agent. Despite the fact that Park had withdrawn, he continued to receive rice commissions. In 1972, under pressure from S. K. Kim and Lee Hu Rak, the president of Daihan Nongsan Co. made his firm's Washington bank account available to Park to facilitate the receipt of commissions. The Embassy learned that from \$1.7 to \$2 million in rice commissions were to be channeled to the KCIA.

Manipulation of the Public Law 480 rice program continued through 1976. Using Daihan Nongsan, Park received commissions from Public Law 480 and commercial rice transactions with Korea until that year.<sup>190</sup> Passman, sometimes in cooperation with Park actively pressured Korean officials to purchase more rice than they needed and maneuvered AID and USDA officials to carry out his arrangements in these same years.<sup>191</sup>

### *Conclusions and recommendations*

In the 1960's, the Public Law 480 program contributed to the development of the Korean economy by filling food needs and supplying the ROK Government with some of the resources required to maintain the large defense establishment. During this period, the agriculture sector did not grow as rapidly as did industries, largely because the Government did not channel resources into farming. Public Law 480 appeared to have held down rates of agricultural growth, productivity, and incomes until the early 1970's when the rural sector was given more attention.

The Public Law 480 program involved one of the most publicized aspects of the Korean scandal—the rice dealings of Tongsun Park, Congressman Otto Passman, and Congressman Richard Hanna. It is important to note, however, that it was Passman, not Park, who most severely manipulated the Public Law 480 program by pressuring both Korean and U.S. Government officials to increase rice transactions; that Tongsun Park's activities had relatively little impact on the levels of Public Law 480 assistance provided; and that a number of U.S. Government officials were aware of Tongsun Park's relationship with the ROK Government, but never informed the Department of Agriculture. Furthermore, the Public Law 480 program itself easily led to abuse because of ambiguous, contradictory goals and ill-defined agency responsibilities. Further, abuse is always possible when such massive amounts of assistance are available.

By the late 1960's, the Agriculture Department and AID concluded that Korea was sufficiently developed that they could wind down Public Law 480 concessional sales and shift to commercial sales. Several factors, however, intervened in the late 1960's and early 1970's to maintain high levels of Public Law 480 assistance for Korea: The Defense Department's desire for continued support for the Korean defense budget; the White House's desire to restrict

<sup>190</sup> Korean Influence Investigation, Part 1, Oct. 19, 20, and 21, 1977, Hearings before the Committee on Standards of Official Conduct, pp. 346-347.

<sup>191</sup> Seoul 00219, Jan. 10, 1976; memorandum from Michael H. B. Adler to the Deputy Administrator, Jan. 15, 1976; indictment, *United States of America v. Otto E. Passman*, filed in U.S. Court for the District of Columbia, Mar. 31, 1978, No. 78-00159.

textile imports from Korea; the Korean Government's desire to hold down the price of rice paid by politically restive workers; Congressmen Passman and Hanna's desire to sell their States' surplus rice; and the desire for rice commissions on the part of Yongsun Park, Chung Il Kwon, Kim Hyung Wook, the Democratic Republican Party, and the KCIA for its activities in the United States.

Based on the above findings, the subcommittee recommends:

(1) That better channels of communications be established between the investigative units of the Department of Agriculture and the Agency for International Development and the U.S. intelligence and law enforcement agencies with regard to information developed by those latter agencies relating to possible violations of statutes and regulations administered by the Agency for International Development and the Department of Agriculture.

(2) That Congress grant to the Auditor General of the Agency for International Development the subpoena power given to the Inspectors General of other agencies under the Inspectors General Act of 1978.

#### MILITARY PROCUREMENT PROBLEMS IN KOREA

In early discussions with various sources, the subcommittee heard allegations of price-fixing and rigging of U.S. military procurement contracts in Korea as a result of the ROK Government's desire to acquire foreign exchange. In general, it was alleged that certain quasi-official Korean agencies obtained U.S. Government best estimates beforehand and were able to assure that no contractor bid lower than those estimates. Further, those agencies determined in advance who would get the contract and assured that no other competitor bid lower than the selected party. It was also said that the U.S. Government was unable for a long time to prevent such collusion.

Some of these allegations arose from a press release by Senator William Proxmire on October 27, 1976, which included findings of his own staff investigation. It listed charges of collusion, price-fixing, and intimidation.

In its own investigation of these and other allegations, members of the subcommittee staff traveled to Korea in December 1977 and interviewed a number of U.S. Government employees there. They also talked to Americans who were former procurement officials, engineers, economic counselors, and legal and security officials in Korea. The staff studied special procurement program reviews of the Department of the Army Materiel Development and Readiness Command,<sup>192</sup> correspondence between the Department of the Army, and Senator William Proxmire; U.S. Army Criminal Investigation Division (CID) reports; and other records. It interviewed, as well, some Korean residents of the United States who had knowledge of the procurement problems facing U.S. Government authorities in

<sup>192</sup> "Procurement Management Review," U.S. Army, Pacific, June 1976 (hereinafter PMR), Study Report; Improved Procedures for Procurement in Support of U.S. Forces, Korea, November 1976 (hereinafter Study Report); and Special Study Group Memo to General Vessey, CINCPAC/USFK EUSA, Jan. 27, 1977, subject: Improvement of Procurement Operations in Support of USFK (hereinafter DRCPP-R). The Army Materiel and Readiness Command is known as ARCOM.

Korea. The subcommittee was unable to arrange interviews with Korean contractors or Government officials in Korea.

The purpose of the investigation was to determine the truth of the allegations, the real nature of the problem, the extent to which the ROK Government cooperated in finding a solution, and whether the U.S. military was able to surmount the difficulties.

### *U.S. procurement system*

In the earlier occupation of Korea after World War II, almost all U.S. Government logistic needs had been supplied from outside the country. During the Korean war, U.S. forces were only partially dependent upon local sources for support. In the late 1950's and early 1960's, however, use of Korean vendors and contractors became more necessary, simply from the standpoint of cost. Further, as the Korean economy grew in sophistication, a greater diversity of goods and services became available. In the early 1960's, the authority for U.S. Government procurement in Korea was vested in the U.S. Korean Procurement Agency (KPA), a unit subordinate to the U.S. Eighth Army.<sup>193</sup>

A document important in the course of procurement in Korea was the Brown Memorandum of March 1966, which elaborated the terms for compensation to Korea for the deployment of Korean troops to Vietnam. One provision called for increased procurement of Korean goods and services for use by U.S. forces not only in Korea itself, but also in Vietnam.<sup>194</sup>

In 1966, the United States and Korea also signed the Status of Forces Agreement (SOFA).<sup>195</sup> A passage in article XVI of the Agreement addresses the matter of U.S. military procurement of goods and services in Korea:

The United States may contract for any materials, supplies, equipment and services (including construction work) to be furnished or undertaken by the Republic of Korea for purposes of, or authorized by, this Agreement, without restriction as to choice of contractor, supplier, or person who provides such services.<sup>196</sup>

A former KPA official described to subcommittee staff the standard procedure followed by the U.S. Korean Procurement Agency (KPA) for soliciting bids and awarding contracts. All proposed projects were first sent to a U.S. estimator or engineer for designs, drawings, and an Independent Government Cost Estimate (IGCE). This was required on all contracts expected to cost \$10,000 or more. The information was then forwarded with a purchase request and a commitment of funds to either the KPA or to the Far East District of Engineers.<sup>197</sup>

The KPA then drew up a bidders list for each procurement, which was given in turn to a contract officer. All names for the list were provided by the Korean Ministry of Commerce and Industry

<sup>193</sup> Additional information on the KPA is available in PMR, pp. 2ff op. cit. Before KPA was established, USFK were supported by separate base procurement offices throughout Korea.

<sup>194</sup> For the text of the Brown memorandum, see appendix C-86. See pp. 165, 169, 172-176ff for a discussion of the relationship of military assistance to economic aid.

<sup>195</sup> The following quote is from the 4th Edition of the SOFA, January 1973.

<sup>196</sup> As quoted in PMR, p. 9, op. cit.

<sup>197</sup> The FEDE was also involved in procurement, especially on larger contracts (over \$100,000). In addition to the FEDE, the Korean Regional Exchange also awarded contracts in Korea, but relatively few in comparison with the KPA. This report deals mainly with the KPA, inasmuch as most of the contracts in Korea involved that organization and because the problems of the KPA were typical of those encountered by all.

MCI). Requests for proposals, which detailed precisely what was needed, were then sent to 10 or so contractors. Most of this KPA process was to be kept secret.

The contractors were given a number of weeks to prepare bids, which were to be submitted in sealed envelopes to the KPA. They were opened with the bidders present. At this point negotiations could take place, with a contract specialist (usually a Korean national), contract officer, and the bidders discussing the proposal and the costs.

In an interview with the subcommittee staff, another KPA official explained that when the bids were opened, a competitive range as established<sup>199</sup> and negotiations began—mostly over price but occasionally over specifications. The contracting officer then made the final decision.

All payments by the U.S. Government were made in U.S. dollars directly to the Bank of Korea. After approval by the KPA, the bank paid the contractor in *won* upon presentation of the required receipt from the Korean Military Contract Association (KMCA).

#### *Korean measures to control procurement*

Much of the investigation centered around the KMCA. In the 1960's, in order to promote a unified effort for national development, the Park Government had called for the establishment of various semiofficial associations which were to exercise control over all commercial activities in the country. In a report to Senator William Proxmire, the Department of the Army described the genesis of the KMCA:

The KMCA exists under the requirements of a Cabinet Decree No. 450, Enforcement Decree for the Provisional Law for the Promotion of Military Supply (ROK Law 979, Military Supply Promotion Law). ROK Law 979 requires that before a Korean contractor can do business with U.S. Forces, Korea (USFK), the contractor must be registered with the Ministry of Commerce and Industry. Practically, in order to get a license, a Korean contractor must be recommended by the association. The role of the Ministry of Commerce and Industry of the Korean Government is that the Ministry is charged to: "Administer all affairs in relation to fostering military supply business and those who are engaged in the above-mentioned business." The Korean Military Contractors Association is one of 115 associations that exist for fostering various types of business in Korea.<sup>199</sup>

Law 979, which governs the procurement of military supplies by any nation or organization in the ROK, was deemed necessary, according to one Korean whom the subcommittee staff interviewed, because in earlier years Korean contractors were competing irresponsibly, making bids below production costs, supplying shoddy goods, and even fighting among themselves with guns.

Over time, the KMCA emerged as perhaps the most powerful of the quasi-official associations. Its position resulted from the strong government concern over national economic stability and the importance of military procurement to the economy.

According to several U.S. officials, the KMCA was actually able to control the bidding for KPA contracts. It regularly received information beforehand concerning what projects were contemplated

<sup>199</sup> The competitive range was set by the high and low bids which came within what the United States considered to be a reasonable cost range.

<sup>200</sup> Letter from Harold L. Brownman, Assistant Secretary for Installations and Logistics, Dec. 2, 1976, with 14 enclosures.

ed by the KPA and what its supposedly confidential cost estimate were. The leaks, according to one official, originated with the man Korean nationals employed in a variety of jobs in KPA offices. They let out information on initial requests, the IGCE's, and the commitment of funds "all along the line." All of these, including the bidders' lists, which were "regularly leaked every night," were provided in some way to the KMCA.<sup>200</sup> American employees in various offices may also have been involved, the official said.

One Korean informant told a U.S. Army CID member that when he was involved with the KMCA, all Korean employees of KPA were required to sign a statement promising to furnish KPA information to the KMCA.<sup>201</sup>

There was also evidence, according to a DARCOM report, that at the requesting agencies the initial cost estimates prepared by the units requiring the procurement were sometimes increased, "[a]s a result of influence by the association."<sup>202</sup>

Although the U.S. Government authorities were long aware of these activities, they were "unable to do much about it," according to a former KPA official.

Once the KMCA received the information it needed, it selected one contractor to be the winning bidder and controlled the price levels of the bids. One former KPA official made a study of bidding practices in Korea over a period of 3 years. He told the subcommittee staff that he found a definite pattern in the placing of bids and awarding of contracts. One single bid was always within about 1 percent above or below the IGCE, just close enough to be acceptable. The other bids invariably came in significantly above that one.

Former KPA officials reported that procurement control was exercised at KMCA meetings, held shortly after the contractor received the KPA solicitations for bids, which the KMCA requires they turn in within 24 hours after receipt. Potential contractor would meet at the KMCA to choose the "successful" contractor and the bid price. Other members were told to submit higher bids. Even if negotiations changed the final price, the ranking of bidder never changed.

In 1974, an informant told the CID that winning bidders had to pay one-half cent per dollar of the total dollar value of the individual contract to the KMCA. On top of that, the winning bidder had to pay to the KMCA or one of its supporting organizations 5 more percent of the final contract price.<sup>203</sup>

The influence of the KMCA apparently reached its apex in the fall of 1973, when it and other MCI-approved organizations "almost totally controlled USFK [United States Forces, Korea] local procurements" according to a DARCOM study.<sup>204</sup>

In that year, the U.S. Government registered strong complaints and the ROK Government at last agreed, on November 23, 1973, to cooperate to some degree. However, it was not until June 1975 that

<sup>200</sup> The committee staff learned, for example, that Air Force investigators once discovered a representative of a Korean engineering firm in possession of a copy of an IGCE for procurement of roofing tile for the Yongsan Air Base. IGCE's are never supposed to leave the KPA.

<sup>201</sup> U.S. Army Report on the Investigation, No. 74-CID-038-59615, p. 13 (hereinafter CID).

<sup>202</sup> Op. cit., PMR, p. 13.

<sup>203</sup> Op. cit., CID, pp. 6-7. These statistics were supported in a general way by the opinions of former KPA officials.

<sup>204</sup> Op. cit., PMR, p. 12.

ny evidence appeared that direct involvement by these associations had lessened, the DARCOM study said. Indirect means of control by the KMCA and other groups, however, persisted and were almost as powerful.<sup>205</sup> In 1976, Assistant Secretary Brownman, in his covering letter to Senator Proxmire, summed up the KPA's problems as still "serious and difficult."

Another question raised in connection with the procurement problems was whether or not the KCIA was involved. Assistant Secretary Brownman wrote to Senator Proxmire: "It has been reported that until 1973 the ROK CIA controlled all USFK contracting." However, information also indicated that the KCIA "was removed from the procurement environment after strong protests through the Joint US-ROK SOFA Committee."<sup>206</sup>

The KCIA role had apparently been played through organizations such as the Cha Yu Hoe (Freedom Association), later called the Kong Che Hoe (Mutual Benefit Association). The Kong Che Hoe was the enforcement arm of the KMCA; its task was to assure compliance by local contractors. Businessmen who tried to make low bids for KPA contracts (called "dumping") were marked as "traitors" for losing income for the Korean economy.<sup>207</sup> Furthermore, any contractor who tried to circumvent the KMCA and deal directly with the KPA found himself in trouble with the Kong Che Hoe.

Army CID investigators documented that instances of Kong Che Hoe enforcement were not unusual. Its principal tools were intimidation, loss of business licenses, and personal violence. In a press release dated October 27, 1976, Senator Proxmire, who had conducted his own investigation into procurement in Korea, listed seven instances of Kong Che Hoe violence reported to him by the CID, including one case where an American small businessman in Korea was assaulted when he refused to withdraw a low bid on a U.S. Government contract.

Official U.S. Government reports indicated that the Kong Che Hoe was disbanded on July 31, 1975, through action by the Korean National Police, after vigorous objection by the U.S. representative at a SOFA meeting. A DARCOM document, however, indicated that as late as June 1976, "fear of reprisals still serves as an effective force to impose KMCA's will upon Korean contractors."<sup>208</sup>

As to any specific role played by the Government of Korea itself in collusive bidding, Assistant Secretary Brownman could only report to Senator Proxmire in December 1976 that:

The KMCA is responsible to the ROK Ministry of Commerce and Industry. Beyond the known relationships and the officially stated role of the MCI, we can only conjecture about the degree to which the ROK government may sanction or control these bidding practices.<sup>209</sup>

### *The U.S. response*

U.S. procurement officials in Korea considered KMCA contract manipulation an "unending problem," according to one former offi-

<sup>205</sup> Ibid.

<sup>206</sup> Brownman, Enclosure 9.

<sup>207</sup> Op. cit., CID, p. 3.

<sup>208</sup> Op. cit., PMR, p. 12. The Army CID, conducted a 1-year investigation of Kong Che Hoe during 1974-75. Its findings are in CID. op. cit.

<sup>209</sup> Brownman, Enclosure 5.

cal. It seemed that over the years each step forward toward solution was followed by an impasse over a technicality that resulted in loss of momentum.

During the 1960's and 1970's the procurement problem engendered a number of official reviews, investigations, reports, representations, and other actions. At one point the United States considered asking for a rescission of Law 979, which it regarded as the source of many of the problems. That law, as interpreted by the KPA, conflicted with one provision of the SOFA. The first sentence of paragraph one, article XVI of the SOFA, contains the phrase "without restriction as to choice of contractor \* \* \*." The U.S. Government regarded the requirement for membership and approval by the KMCA as a restriction. The Koreans protested that requiring a contractor to belong to an association was not a restriction and therefore no conflict with SOFA existed. In fact, the ROK Government argued, the use of the KMCA was authorized under paragraph two, article XVI of the SOFA, which reads:

Materials, supplies, equipment and services which are required from local sources for the maintenance of the United States Armed Forces and the procurement which may have adverse effect on the economy of the Republic of Korea shall be procured in coordination with, and when desirable through or with the assistance of the competent authorities of the Republic of Korea.<sup>210</sup> [Emphasis added.]

It was evident that many of the KPA difficulties were caused by differing interpretations of certain key clauses in SOFA. However, the June 1976 Procurement Management Review Report concludes that even if article XVI of the SOFA were revised, the result would be negligible:

\* \* \* the differences in the procedural approaches to procurement between the U.S. and ROK are fundamental and are not likely to change, as evidenced by a decade of experience. The perceived rights of both parties are based on traditional cultures, economic laws, and business practices which are currently accommodated by the provisions of SOFA, section XVI. Therefore it will not likely be practicable to alter or revise the existing SOFA language.<sup>211</sup>

The U.S. Government ultimately decided it would be imprudent to seek a rescission of Law 979. Secretary Brownman wrote to Senator Proxmire that "[t]o attempt to neutralize this law and a decree of the Republic of Korea would not only deprive us of the opportunity to benefit from them but would also be considered an effort to interfere in the internal affairs of another country."<sup>22</sup>

On June 13, 1975, Lt. Gen. John Murphy, USAF, the U.S. representative at the SOFA conferences, wrote a letter to Lee Sang Ok, the Korean representative, complaining strongly about the KMCA and stating that "organized collusion is rampant."<sup>213</sup> This letter was credited with eliminating the influence of the Kong Che Ho and apparently led to the removal of the KCIA from the procurement process.

In November 1975, a DARCOM Procurement Management Review team studied procurement problems while on a routine inspection tour of Korea. The team wrote a long report in June 1976.<sup>214</sup> According to one former KPA official, this report, which recommended that KPA contracts be made directly through the

<sup>210</sup>As quoted in PMR, p.9. op. cit.

<sup>211</sup>Ibid., p. 10.

<sup>212</sup>Brownman, Enclosure 3.

<sup>213</sup>CID, Exhibit 95, p. 3.

<sup>214</sup>Op. cit., PMR.

OK Government, was opposed by the KPA on grounds that it failed to reflect improvements which the KPA had implemented since 1974. At that time, it had begun to shift from rote adherence to normal competitive procurement regulations to making awards directly to single worthy contractors.

Another study was conducted by the same DARCOM review team. In November 1976, it issued a report entitled "Improved Procedures for Procurement in Support of the U.S. Forces, Korea."<sup>215</sup> It began with a general observation that "notwithstanding all efforts exerted to date, procurement in the ROK is still in need of corrective action \* \* \*".<sup>216</sup> It then considered various alternative solutions. Only one was recommended. The proposal to handle procurement directly through the ROK Government was unacceptable because any government-to-government agreement should be entered into cautiously, on a test basis at first and starting in small increments, which would be too time-consuming. On the other hand, to proceed less cautiously would be to invite trouble. A proposed use of third country personnel (Japanese or Taiwanese nationals) to handle procurement might violate the terms of the SOFA. The replacement of Korean nationals with U.S. personnel would be excessively costly and impose language problems. Procurement from the United States or other countries would be too expensive. Another alternative—for the KPA to select a single contractor and deny the right of KMCA to intervene—was not considered feasible because it would be impractical to deny the role of the KMCA as an integral functionary of the MCI. A variation would be to allow the KMCA to choose a candidate from a selective U.S. list, but that suggestion had serious drawbacks because it "would appear to be imprudent to delegate such authority outside the U.S. Government."<sup>217</sup>

### *S. procurement system changes*

The report contained one solution that seemed acceptable. Essentially, the new method of procurement, called Controlled Selected Single Source Procurement (CSSSP), enabled the KPA and the ROK to select, on a noncompetitive basis, one contractor from a list of reliable bidders and to go directly to him with a contract proposal. In rationalizing this new approach, an Army report stated:

Attempts to achieve open competition in the ROK works against the U.S. Government rather than to its favor \* \* \* Competition, as defined by U.S. laws and regulations, is incompatible with conditions now existing in the ROK. It is time to shift from open competition for selecting a source to an alternative method which essentially provides for non-competitive selection of contractors.<sup>218</sup>

Under authorization of the new CSSSP plan, procurement requirements were reviewed; KMCA or MCI involvement was dealt with on a case-by-case basis; unsatisfactory contracting firms were eliminated from participation; the selection of contractors was controlled by the KPA in order to provide fairness; and sources were

<sup>215</sup>Op. cit., study report.

<sup>216</sup>Ibid., p. 14. For an elaboration of the following discussion of alternative solutions, see pp.

Also see a summary in Brownman, enclosure 4, op. cit.

<sup>217</sup>Op. cit., study report, p. 12.

<sup>218</sup>Ibid., p. 14.

selected from a list of worthy contractors in accordance with Korean Law 979.

The authorization further required a high-level review of an deletion from the prospective contractors' list. It also postulate doing business with only the most responsible contractors, and i provided a rotation of names on the bidders' lists. A board wa established to handle the selections. The plan still allowed for th use of competitive procedures where there was a condition of rea competition. The plan also called for some internal reorganizatio of the KPA and provided for certain changes in the mix of Korean and Americans.

One further result of the changes was the elimination of som personnel positions and the dismissal of some employees. In the fa of 1977, 7 of the 35 Korean inspectors were fired by the KP, because of bribery.

In sum, a DARCOM memo expressed the new concept and th need for the new changes as follows:

The essence of the CSSSP concept can be stated simply: (a) procurement la-directs solicitation of a maximum number of sources, consistent with the nature o the supplies and services; (b) it has been determined that the law should not appl here in the Republic of Korea where it cannot be effectively applied; and (c) the la should not be applied by rote because, here in the Republic of Korea, the impact obviously detrimental rather than beneficial to the interests of the U.S. Govern ment.<sup>219</sup>

### *Positive results*

One U.S. official in Korea reported to the subcommittee stat that, as of December 1977, no collusive bidding cases had occurre since the new CSSSP procedure was adopted. He was pleased tha the new system had put everything out in the open and resulted i high-quality procurement at better prices.

According to another source, the new system had been a grea help in enabling the KPA to analyze which contractor could do th best job and in eliminating mismatches between U.S. Governmen needs and bidders' capabilities. It also eliminated, he felt, the nee for payoffs outside the system.

In general, KPA authorities felt that at the end of 1977, the nev noncompetitive system was working and that the KMCA could n longer exercise its former muscle. They noted that any KMCA intercessions henceforth could take place only after the Unite States had selected a contractor. A U.S. engineer who had serve with the KPA was of the opinion that the KMCA could actualy serve a useful function in that it could put pressure on bidders t fulfill their contracts. He noted that when one contractor ha absconded, the KMCA forced other contractors to fulfill the con tract, in keeping with the spirit of national pride and discipline.

As for the general reaction of the Korean business world, th Seoul newspaper, Chosun Ilbo, on May 20, 1977 indicated that th impact of the new CSSSP method had not been lost on the loca contract community. It observed:

The profitability of military sales has \* \* \* been dwindling in recent years partl because of heated competition among domestic exporters and because of the reduc tion of contract prices by 15 percent by the U.S. forces authorities by replacing ope- competitive bidding with a designated bidding system.

<sup>219</sup> Op. cit., DRCP-P-R, enclosure 1.

The observation implied a great deal. Though the figure of a 15-percent price reduction was only a guess, it nevertheless reflected the popular impression that profits had been greater before and that the U.S. Government had developed a more effective means of controlling the procurement process.

### Conclusions

The collusive bidding practices of the Korean system made the task of the U.S. Government procurement agencies a difficult one. In coping with the problem, management efficiency was affected. The DARCOM report of June 1976 stated:

\* \* \* [t]he time and energy of KPA managers have been in large measure consumed in attempting to acquire needed supplies and services at fair and reasonable prices, with little time to apply to improvements of procurement techniques, methods, and processes, which are the essence of procurement management. It is very difficult to be effective and efficient when doing business under these conditions.<sup>220</sup>

As to the issue of additional cost to the U.S. Government, opinions differed. The yearly volume of procurement distribution by the KPA was estimated in 1976 at \$44 million,<sup>221</sup> with an expectation of about \$50 million for the next fiscal year.<sup>222</sup> A press release by Senator Proxmire on October 27, 1976, which was widely quoted by the media, stated that "unofficial estimates of the rate of extra profits arising from artificially high prices range from 30 percent to 50 percent and may involve substantial amounts."<sup>223</sup>

On the other hand, an article in the Washington Star, dated October 28, 1976, quoted a DOD spokesman as having said, "To date, we have found no evidence of large-scale padding of contracts." Moreover, whereas Senator Proxmire's press release announced that "collusive bidding practices \* \* \* are costing American taxpayers an extra \$15 to \$25 million a year \* \* \*," a former general counsel for the KPA told the subcommittee staff that the Army was not losing money on procurement in Korea. One U.S. observer of the procurement scene remarked that because of the difficulty of assessing costs in Korea, there was simply no way of verifying or disproving any estimates of dollar loss.

Another former KPA official also took exception to the 30 to 50 percent overpayment figures publicized by Senator Proxmire. However, he said, even if the percent is correct, the Senator's figure of \$25 million loss per year was "impossible." Nevertheless, the same official did admit that in the area of construction costs, the U.S. Government was probably paying excessive prices for goods often of inferior quality.

Assistant Secretary Brownman queried General Murphy about his estimate of a 30- to 50-percent overpayment. The General agreed that the numbers for the most part were not "auditable," but that in his opinion overpricing had occurred. He further remarked, though, that the estimate was included in his letter to his Korean counterpart for "shock value." The Assistant Secretary

<sup>220</sup> Op. cit., PMR, p. 14.

<sup>221</sup> Op. cit., study report, p. 8.

<sup>222</sup> Op. cit., PMR, p. 8.

<sup>223</sup> Op. cit., these figures apparently were taken from the Brownman letter, which in turn had quoted the unofficial figures suggested in Lieutenant General Murphy's letter to his Korean Government counterpart.

finally concluded that the KMCA procurement practices had created a "substantial suspicion that prices paid by the U.S. government may be high when compared with what prices should be for similar goods and services in the Korean marketplace."<sup>224</sup>

According to one knowledgeable observer, the problem of trying to assess U.S. Government dollar losses in the procurement climate in Korea was complicated by the continuing inability on the part of the KPA to establish a valid cost base. An IGCE is normally determined by a mix of factors such as labor costs, cost of materials, overhead costs, and inflation, all of which are essentially derived from local working prices and conditions. In Korea, the KPA had not yet determined exactly what a good value was. Hence, in the past, if local cost factors were uncertain, the U.S. Government estimates were also of necessity uncertain.

Although implementation of the CSSSP was expected to provide greater opportunity for the negotiation of realistic prices, Assistant Secretary Brownman admitted that "pricing problems will continue to prevail in Korea to some extent, and can only be minimized by application of intensive management emphasis and diligent application of the talents and skills of competent specialists."<sup>225</sup> Until the problems are minimized, the U.S. Government will often have to depend on old contract prices as the general standard.

The Koreans had raised as one justification for their procurement practices—the argument that if KPA contracts were not kept artificially high, the United States would not spend all the money available for Korea. The June 1976 PMR study observed, however, that "all available U.S. funds would generally be spent anyway to meet the high level of U.S. requirements in Korea, which have always been greater than the availability of funds \* \* \*"<sup>226</sup>

Underlying much of the above discussion is the problem of trying to force a competitive system on a culture where the concept is essentially alien. One KPA official recounted that he had felt from the beginning that competitive bidding was not suitable to Korean cultural patterns. The real problem, he said to staff members, was not the ROK Government, but a "bad fit" between American practices and Korean culture. A former KPA engineer added that U.S. procurement people are "brainwashed" about the need for a competitive system and that they should have accepted the fact that the Korean system was simply noncompetitive.

Assistant Secretary Brownman in his report to Senator Proxmire made the same point: "\* \* \* [c]ompetition as practiced in the United States, does not prevail in any segment of the Korean economy. It is our belief that this condition emanates from a cultural philosophy \* \* \*"<sup>227</sup> In sum, he wrote:

Efforts at unlimited, open competition have a deleterious rather than beneficial impact on both the U.S. and the ROK. Heretofore, we have been reluctant to acknowledge the realities of this issue, and perhaps admit that our procedures may not be operable within a foreign environment.<sup>228</sup>

<sup>224</sup> Op. cit., Brownman, enclosure 8. Because the KMCA's winning bids were always extremely close to the KPA's advance estimates—within 1 percent above or below (see CID, op. cit., p. 4) allegations of overpricing are necessarily based on the degree to which competition might have reduced the final cost.

<sup>225</sup> Op. cit., Brownman, enclosure 8, p. 2.

<sup>226</sup> See a discussion of this in PMR, p. 13, op. cit.

<sup>227</sup> Op. cit., Brownman, enclosure 5.

<sup>228</sup> Ibid.

Although the Korean way of doing business probably involved increased costs to the United States, it is ironic that the MCI and the KMCA, obstructionist as they have been, contributed importantly to the "remarkable degree of discipline"<sup>229</sup> in economic matters which U.S. experts credit with making that country stable enough to allow U.S. troop withdrawals to begin. Because Northeast Asia has been of such strategic importance, the United States has been previously willing to pay the cost.

#### PROBLEMS OF POLITICAL FUNDING AND U.S. TRADE AND INVESTMENT IN KOREA

In 1975, the Senate Subcommittee on Multinational Corporations held public hearings on political contributions to foreign governments, the result of disclosures during the Watergate investigation that American corporations had made illegal political contributions in the United States. At a hearing on May 16, Gulf Oil Corp. disclosed that 80 percent of the \$5 million it had paid in foreign political contributions worldwide went to the Democratic Republican Party (DRP) of the Republic of Korea.<sup>230</sup>

Since that time, the issue of corrupt business practices abroad has been under scrutiny by the Internal Revenue Service, Securities and Exchange Commission, Federal Trade Commission, Department of Justice, Department of State, and various committees of Congress. It has also been the subject of numerous internal inquiries by individual U.S. firms. These investigations have resulted in new policy guidelines, renewed commitments to policies previously enacted, new disclosure requirements, and legal penalties.<sup>231</sup>

Although there had been numerous reviews and investigations into corrupt business practices, some in progress at the time of this investigation, the subcommittee decided to include corporate payments in its study. Previous investigations and policy reviews had taken a broad-based approach to the issue and had not addressed the effects of corporate payments on a specific bilateral relationship. The subcommittee believed that corrupt business practices needed to be viewed in the national and international setting in which they occurred since only then would their foreign policy consequences become clear.

The subcommittee sought to shed light on a number of complex questions. To what extent had other U.S. corporations had experiences similar to Gulf in their business with the Republic of Korea? What were the major forces contributing to corruption in corporate relations between the two countries? Were they the product of circumstances peculiar to one period in Korean development, or a continuing phenomenon? To what extent were such practices attributable to the personal motives of selected Government officials, to what extent to systemic political and economic forces in Korea? What was the policy of the Korean and U.S. Governments with

<sup>229</sup> See Walsh testimony, KI-6.

<sup>230</sup> Senate Foreign Relations Committee, Subcommittee on Multinational Corporations, hearing, May 16, 1975, see appendix C-156.

<sup>231</sup> The most comprehensive overview of the various executive branch and congressional investigations is contained in Jacoby, Neil H., Peter Nehemkis, and Richard Eells, *Bribery and Corruption in World Business* (New York: Macmillan, 1977). See also the article by the same authors, "Foreign Payoffs Law: A Costly Error," *Sunday New York Times*, Jan. 22, 1978; both the article and the text of the Foreign Corrupt Practices Act of 1977 appear in the appendix C-8 and C-161 respectively.

regard to corruption, and how did they translate into practice? Finally, what were the implications for future Korean-American relations?

Answering these questions presented formidable difficulties. First in most cases, corrupt practices were kept hidden. This would not have been necessary were the practices acceptable in Korea, the rationale put forward by some corporations. There is no evidence to suggest that Koreans are any more accepting of such practices than Americans. In fact, because opposition to corruption has played a significant role in changes of government in Korea, its citizens have already shown great political sensitivity to this issue.<sup>232</sup>

A second difficulty was that corporations expressed justifiable fears that any disclosure could place both individuals and firms in jeopardy. One U.S. corporation stated:

\* \* \* In our judgment a company like [our Korean-based subsidiary] is the victim of the prevailing system and business and government climate in Korea. It has at all times struggled to operate without violating the laws of Korea. It remains a fact of life, however, that among the possible or probable adverse consequences of any dissemination of the information herein furnished, one of the least desirable would be the placing at risk of the freedom and safety of both Korean and American employees of [our subsidiary]<sup>233</sup>

A number of firms pointed to article 104 of the Korean Criminal Code, promulgated on March 25, 1975, which makes it a crime for any Korean outside the country to "slander the state" or engage in activities "which may harm the welfare and interest of or defame the Republic of Korea." The statute established criminal sanctions for Koreans who engage in activities defined in the above terms "in association with foreigners or foreign organizations" in Korea.<sup>234</sup> One firm had asked its Korean counsel—two prominent Seoul attorneys—for an interpretation of article 104. They responded:

\* \* \* This recently enacted statute is very broad in its scope of application. Furthermore, its application could occur in a case where information once given and utilized by others for purposes subsequently characterized as defamatory. Article 104 was apparently enacted to impede Korean nationals from collaborating in press reports exploiting scandalous matters. Constitutional safeguards aimed at ambiguous provisions of Article 104 are inoperative as a defense to prosecution under this article.<sup>235</sup>

### *Historical background*<sup>236</sup>

U.S. corrupt business practices in Korean-American relations have roots in the recent history of political and business corruption in Korea. One of the first pledges of the military regime after the 1961 coup was the elimination of corruption.<sup>237</sup> In carrying out this pledge, the Government investigated and arrested 51 "illicit fortune accumulators," including some of the heads of the leading

<sup>232</sup> Corruption was at issue in each of the transitions from Syngman Rhee's Government to the military junta. See, for example, Henderson, Gregory, *The Politics of the Vortex*, (Cambridge Harvard, 1968) and Kim, Jungwon A., *Divided Korea: The Politics of Development*, (Cambridge Harvard, 1975).

<sup>233</sup> Letter from a U.S. corporation to the subcommittee, June 16, 1978.

<sup>234</sup> Article 104 is reprinted in appendix C-160, as presented in *The Emergency Christian Conference on Korean problems*, editors, *Documents on The Struggle for Democracy in Korea*, (Tokyo: Shinkyō Shuppansha, 1975), p. 250.

<sup>235</sup> Letter from a U.S. corporation to the subcommittee, Apr. 13, 1978.

<sup>236</sup> Documentation was available for all information in this section unless otherwise specifically where a specific reference is not cited, the source was a classified U.S. Government document.

<sup>237</sup> *Op. cit.*, Jungwon Kim, p. 227.

businesses in Korea.<sup>238</sup> The newly created Korean Central Intelligence Agency (KCIA) purged the Korean civil service, dismissing an estimated 41,000 persons for having secured jobs through corrupt means.<sup>239</sup> As early as June 1961, the U.S. Government had been pushing the military junta to enact and follow through on a comprehensive anticorruption program. That became a precondition for releasing \$28 million in supporting assistance, held up as a result of the coup.

Even while fighting corruption, the new Government soon showed signs of the problem. By August and September 1961, a factional split within the military junta began to widen. It centered around the manner in which a committee within the Supreme Council for National Reconstruction (SCNR) had handled the confiscations of "illegal wealth." The head of the committee, Yi Chu Il, was head of the Hamgyong faction.<sup>240</sup> In September, the KCIA arrested 28 persons, including advisers to the members of the Hamgyong faction and prominent businessmen from Hamgyong Province. There were reports that Yi Chu Il was using his position in the SCNR to favor certain businessmen from Hamgyong Province. In late September 1961, Ambassador Berger was informed authoritatively that in order to maintain stability, the junta had decided to deal openly with the appearance of corruption in its midst, rather than covering it up.<sup>241</sup>

By late October 1961, the sanguine tone which had characterized Embassy reports following the coup had become tempered. Commenting on the overall situation in Korea, the Embassy reported to Washington that the junta was displaying leniency toward those arrested for corruption after the coup; that signs of corruption and graft were reemerging at the highest levels of the Government; but that the Embassy still hoped the junta's anticorruption program might lead to a reduction in requests for political contributions and bribes. One result would be to lower the cost of doing business in Korea.

By February 1962, the Embassy's hopes were overshadowed by serious concern when it received information on wide-scale irregularities by the KCIA under Kim Jong Pil. There were reliable indications that the KCIA was deeply enmeshed in commercial enterprises such as the construction of the Walker Hill resort and the importation of automobiles from Japan. It was later estimated that the KCIA netted several million dollars from the Walker Hill project. During the spring of 1962, the KCIA was embroiled in covert manipulation of the Korean stock market, and this operation was estimated to have brought in close to \$40 million. Ironically, coincident with this activity, Kim Jong Pil told a visiting high-level State Department official that the junta's ban on political activity was necessary to "eliminate corrupt politicians."

<sup>238</sup> Kyong-Dong Kim, "Political Factors in the Formation of the Entrepreneurial Elite in South Korea," *Asian Survey*, 16, (May 1976), see appendix C-165.

<sup>239</sup> *Op. cit.* Joungwon Kim, p. 233.

<sup>240</sup> Hamgyong is a province in what is now North Korea. Ardently anti-Communist military leaders from Hamgyong-do were a distinct faction within the junta. See Kim Se-Jin, "The Politics of Military Revolution in Korea," (Chapel Hill, N.C.: University of North Carolina Press, 1971), pp. 58n, 92.

<sup>241</sup> Rosenthal, A. M., "Korea Junta Seizes Graft Inquiry Team," *New York Times*, Oct. 8, 1961; see appendix C-162.

Later in June the Embassy reported that Prime Minister Song Yo Chan had resigned because of the stock market scandal amid allegations that the KCIA, Kim Jong Pil, and other Government officials had "made a killing."

In January 1963, infighting within the junta led to public disclosure of a secret preliminary agreement between Korea and Japan, authored by Kim Jong Pil (the so-called Kim-Ohira memorandum), and the KCIA scandals of the previous year.<sup>242</sup> One of the central figures of the coup—Kim Tong Ha—resigned from the junta.<sup>243</sup> It was reported after his resignation that Kim Tong Ha was receiving support from Korean businessmen who were upset over Kim Yong Tae's<sup>244</sup> and Kim Jong Pil's attempts to control their money.

The disclosure of the Kim-Ohira memorandum unleashed charges that Kim Jong Pil had received \$130 million from the Japanese as an advance payment to be used for financing the First Five-Year Plan and an additional \$20 million to finance the DRP in the upcoming elections. Kim Jong Pil had apparently been dealing with the Japanese as early as October 1961. In February 1962, the Embassy was informed that an Israeli businessman, Shoul Eisenberg,<sup>245</sup> was arranging meetings between Japanese businessmen and Kim Jong Pil.

The inauguration of the DRP in early January 1963 led to even greater factionalism, which apparently catalyzed the various disclosures of January and February 1963. Among those cooperating with Kim Jong Pil on the formation of the DRP were a number of Chang Myon supporters such as Suh Jung Kwi,<sup>246</sup> who in October 1961 had been indicted for bribery.

The framework of the new party was clearly antipathetic to the interests of the Hamgyong faction of the junta. By mid-February, the situation was untenable. Park ordered Kim Jong Pil to retire from political activity, in exchange for the resignation of four Hamgyong members of the junta. When Kim refused, Park threatened to resign himself. On February 25, 1963, Kim went into exile, and Park ordered an investigation of the KCIA scandals.

In March 1963, there were indications that the investigation of KCIA corruption was a whitewash. It was agreed that a political, rather than a legal, solution would be reached in order to absolve Kim Jong Pil and allow the junta and Park to save face. As a result of the whitewash of the KCIA, the Hamgyong faction within the junta began attacking the supporters of Park Chung Hee and Kim Jong Pil.

<sup>242</sup> Op. cit., Kim, Joungwon A., pp. 241-242.

<sup>243</sup> A retired Marine Corps major general and a leading member of the Hamgyong faction, Kim Tong Ha has been characterized (along with Park Chung Hee and Kim Jong Pil) as one of the three key leaders of the 1961 coup. See Se-Jin Kim, loc. cit.

<sup>244</sup> A number of sources identified Kim Yong Tae as Kim Jong Pil's closest adviser. In the early years of the junta, Kim Yong Tae was reported to have been Kim Jong Pil's "economic advisor." From 1963 to the present, Kim Yong Tae has been a leading DRP figure in the National Assembly.

<sup>245</sup> There is considerable circumstantial evidence which would suggest that Eisenberg has long maintained an operational relationship with Israeli intelligence. The most recent was an article by Fred Barbash, Lee Lescaze, and Yuval Elizur, "Ugandan Plane Deal Believed Key to Israeli Spy Operation," *Washington Post*, Sept. 11, 1978 (see appendix C-170.) In interviews with Korean and American businessmen and former Korean and American officials, Eisenberg was uniformly described as one of the most controversial figures in recent Korean history.

<sup>246</sup> Suh Jung Kwi was also a former classmate and confidant of Park Chung Hee; subsequent activity as a political fundraiser is described below on pp. 242-243. In 1975, a year after his death, the *Korea Herald* reported that his widow was the wealthiest "income earner" in the Republic of Korea.

Park's inability to deal even-handedly with corruption in the SCNR and in the KCIA narrowed the regime's political base and caused friction with the United States. On March 16 Park announced 4 more years of military rule. There was concern that the move was designed to avoid a civilian government which might investigate corruption. Under pressure from the United States as well as domestic Korean forces, Park reversed himself by early April 1963 and announced that elections would be held.

The 1963 elections brought into the innermost circles of power a new group of political appointees, civil servants, and politicians. Kim Song Kon (S. K. Kim) won election to the National Assembly, while Lee Hu Rak was appointed Secretary General of the Presidential Secretariat. As will be developed further below, both of these individuals, in addition to Kim Hyung Wook who became director of the KCIA in July 1963, were to become intimately involved in the growing web of corruption in succeeding Park administrations.

A second group of Korean Government officials also rose to power under the first Park administration and became involved in the corruption. The most notable was probably Chang Key Young, who in 1964 was appointed Deputy Prime Minister and head of the Economic Planning Board. In the spring of 1964, Shoul Eisenberg, claiming he could obtain \$500 million in foreign loans for Korea from European sources, met with Park Chung Hee, Chang Key Young, and other Government officials. On the heels of this visit, Eisenberg reportedly provided loans and cash gifts to a number of high-ranking Blue House officials, including funds for Chang.

The precise course of S. K. Kim's rise to prominence is unclear. There is information, from statements made to the subcommittee and from executive branch reporting, that Kim was allied with Kim Hyung Wook and Lee Hu Rak. Together these three were a counterbalance within the Park Government to the power and influence of Kim Jong Pil. Kim Hyung Wook told the subcommittee that he was responsible for convincing President Park to send Kim Jong Pil into a second exile in June 1964.<sup>247</sup> The U.S. Government agencies heard that S. K. Kim was the force behind Kim's exile. Probably both were responsible and worked with each other in the development and exercise of their power.

Opposition parties claimed that in 1963 the DRP permitted a few Korean industrialists to amass enormous profits in the sugar, flour, and cement industries in exchange for kickbacks to the party.<sup>248</sup> Clearly these charges were aimed at S. K. Kim, among others, for Kim was at the time the leading cement industry entrepreneur in Korea.

Park's election in 1963 did not bring an end to the DRP's fund-raising activities. After the election, Park sent Kim Jong Pil back to Japan to renew the negotiations for a treaty normalizing relations between the two countries. The negotiations led to severe public turmoil in Korea and were the immediate cause of Kim Jong Pil's second exile. An observer commented:

<sup>247</sup> "Investigation of Korean-American Relations," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 95th Cong., 2d sess., Part 1, (hereinafter referred to as "KI-7").

<sup>248</sup> Op. cit., Joungwon A. Kim, p. 253.

\* \* \* The primary issue throughout the political crisis in Korea was not opposition to Japan, but opposition to the Korean Government, which [the opposition] feared would use financial resources from Japan to further consolidate its internal control, and in so doing would create an economic dependence on Japan in order to stay in power. The Government desperately needed financial resources from Japan to carry out its 5-year plan, to set up a system of indirect funding for the [DRP], and to replace U.S. aid which was rapidly being phased out.<sup>249</sup>

It was only after the treaty with Japan was signed in June 1965 that a viable laundering system for funding the party and enriching key Government officials could be set up. Indeed, in January and February 1965, there apparently were efforts by Kim's brother, Kim Jong Nak,<sup>250</sup> to collect political funds for the DRP through this process. Prior to 1965, however, the framework of the Korean economy inhibited heavy reliance on laundered funds. The number of joint-venture enterprises,<sup>251</sup> one of the primary targets of later requests for payments, totaled only six, four of which were American. From 1965-67, there were 27 additional joint-venture projects, and the rate of growth of such projects continued to climb through 1973.<sup>252</sup>

The laundering system of funding the party largely, though not wholly, from foreign sources of capital appear to have occasioned major alterations in the structure of power in the Korean Government. While Kim Jong Pil continued to play a substantial role in fundraising, Park Chung Hee shifted from primary reliance on him and gave Kim Hyung Wook, S. K. Kim, and Lee Hu Rak greater responsibilities. Apparently Park was no longer inclined to listen solely to Kim Jong Pil and the DRP; there were indications in 1965 that he had sided with Lee Hu Rak against Kim Jong Pil in a struggle over the assets of an automobile company, a struggle which pitted businessmen supported by Lee Hu Rak against businessmen supported by Kim Jong Pil.

Another indication of the degree to which commercial activities, foreign business, and the laundering system of funding politics in Korea had become intertwined with power politics came from executive branch reporting from Seoul. One report noted that the

<sup>249</sup> Op. cit., Jungwon A. Kim, p. 257. The system of funding the DRP is characterized as "indirect" by Jungwon A. Kim, but this is not quite accurate. Under the Korean political parties law of 1962, political parties in Korea can only receive contributions from their party memberships. Membership in Korean political parties is considerably more restricted than is the case in the United States. After the 1963 elections the DRP continued to receive funds directly from party members, but these members were not the original source in the circumstances under analysis here. Rather, the loan and commission moneys of domestic and foreign businesses were "laundered" through DRP members acting as fundraisers, either through the extortion of domestic and foreign businesses or through the bribery of DRP fundraisers by these businesses. On the question of Korean law concerning political payments, see the Congressional Research Service study prepared for the subcommittee, "Laws of the Republic of Korea Concerning Bribery, Political Donations, and Foreign Exchange," appendix C-159.

<sup>250</sup> Kim Jong Nak was reported to have been involved in a number of transactions in the 1960's in which funds were transferred to the DRP. In the early 1970's Kim became the agent for a U.S. firm—Tacoma Boat Co.—and received a 10 percent commission on a \$15 million contract. The subcommittee was unable to determine the circumstances surrounding Tacoma's employment of Kim because some of the American principals could not be located.

<sup>251</sup> There are five basic ways that American and other foreign corporations may enter into corporate relations with the Korean economy: Joint-ventures, technical assistance agreements, loan contracts, subsidiaries, and simple trade. Joint-ventures are processing or manufacturing enterprises in which the equity is partially owned by a foreign corporation and a Korean corporation, governmental or private. The amount of foreign-owned equity may vary greatly. Since all projects involving foreign equity must be approved by the Korean Government, they are open to governmental influence with regard to political payments.

<sup>252</sup> See Guide to Investment in Korea, Economic Planning Board, 1977; U.S. Equity Investment Approved, 1962 through June 1977, U.S. Embassy Seoul, Department of State, 1977. From October 1964 to 1967, the Korean Ambassador to Japan was Kim Dong Jo. The subcommittee received allegations from a number of sources that Kim Dong Jo was active in facilitating the transfer, through various covert means, of political funds from Japan to Korea.

increasing importance of economic and commercial affairs, particularly since the conclusion of the ROK-Japan Normalization Treaty and the massive influx of Japanese commercial loans, had greatly influenced the balance of internal ROK political affairs. It emphasized that the ability of key DRP and opposition party politicians to maintain status and political viability in a preelection year was linked directly to commercial activities as well as their ability to provide a steady source of political funds.

By the mid-1960's, then, four primary centers of politico-economic power, more or less balanced and controlled by Park Chung Hee, seemed to have developed: Kim Jong Pil (chairman of the DRP); S. K. Kim (finance committee chairman of the DRP); Lee Hu Rak (secretary general of the Presidential Secretariat); and Kim Hyung Wook (director of the KCIA). Increasingly, Kim Jong Pil's activities came into conflict with the other three, whose fundraising responsibilities solidified as follows: S. K. Kim—collecting funds to be paid by check;<sup>253</sup> Kim Hyung Wook—collecting funds to be paid in cash, as well as cashing checks received by S. K. Kim;<sup>254</sup> and Lee Hu Rak—establishing and managing a secret Government fund in Switzerland.<sup>255</sup>

In addition to the above, Chang Key Young, as head of the Economic Planning Board, also seemed to have been using his position for fundraising. For example, in May 1966, certain Korean businesses allegedly paid Chang for facilitating Government loans. In addition, Douglas Aircraft Corp. reported a request made in 1967 by its commercial agent for a disbursement of \$10,000, purportedly to be paid to Chang for his assistance.<sup>256</sup> However, Chang did not appear to have been as central to fundraising as the other four mentioned above.

With so many individuals vying for the President's attention and for personal power, conflicts between fundraisers developed quickly. The major one was to be between Lee Hu Rak (with Kim Hyung Wook and S. K. Kim often aligned with him) and Kim Jong Pil. While this conflict climaxed in 1969, it was already evident in 1965, as previously noted.

The machinations involving the various fundraisers were clearly revealed in a report in the spring of 1966, which provided background information of the Korean Government's decision to import certain foreign commodities. The Korean firm in line to receive the import license made payments to the DRP through Kim Jong Nak and to Chang Tae Hwa<sup>257</sup> for his intervention with Lee Hu Rak to obtain the necessary Governmental approval. The firm also allegedly made payments to another Government official in the Ministry of Commerce and Industry, who also approved the imports. However, President Park disapproved the deal after he learned from Kim Jong Nak that the commodities were not a good buy. The Korean firm then began negotiating with another foreign supplier of the commodities, with the assistance of Kim Hyung Wook,

<sup>253</sup> Transcript of a taped conversation between Julie Moon and Kim Hyung Wook on May 16, 1975.

<sup>254</sup> Ibid.

<sup>255</sup> Subcommittee staff interview with a former Korean Government official, May 30, 1977.

<sup>256</sup> See documents in appendix, C-139-149.

<sup>257</sup> Chang Tae Hwa was an adviser to KCIA director Kim Jong Pil in 1961; from 1965 to 1971 he was president of the Seoul Shinmun, a Korean Government-owned and operated daily newspaper.

who interceded with a Government official from the supplier's country. Kim Hyung Wook asked this official to persuade Lee Hu Rak to withdraw his support for the original supplier. The foreign official called Kim Jong Pil and discussed a pending financial matter between his country and Korea. Kim Jong Pil then called Lee Hu Rak and asked him to consider this foreign official's advice. Subsequently, Lee Hu Rak and S. K. Kim met to work out details of the transaction involving the new foreign supplier. S. K. Kim was reportedly unhappy that the original transaction had to be cancelled but agreed to support the new firm if the foreign official promised not to interfere in any future dealings and if Lee Hu Rak would support a transaction involving the original foreign supplier and one of Kim's companies. Both the foreign official and Lee Hu Rak were said to have agreed.

The system of laundering funds from foreign business sources appeared to have been used to the fullest in the 1967 presidential elections. By 1966, S. K. Kim had been appointed chairman of the finance committee of the DRP. He was said to be the principal channel for receipt of political funds, according to information from the U.S. Government and Tongsun Park.

The 1967 elections have the reputation as the "most fraudulent and corrupt in the history of the Republic of Korea."<sup>258</sup> And with the 1967 elections came the first evidence known to the subcommittee that U.S. firms were making contributions.<sup>259</sup>

Political fundraising and corruption appear to have had an impact on decisionmaking surrounding a proposed amendment to the Korean Constitution which would permit President Park Chung Hee to run for a third term. The argument put forward was as follows. If Park were not to run, the party would have to find a candidate, which would result in a major struggle among the DRP factions, with the possibility that the opposition would win. Aside from the loss of power, that situation had other serious implications:

\* \* \* [With] all of the "corruption" involved in political financing for the DRP, the [opposition party] could turn around and prosecute the DRP leadership in retaliation for their own treatment at the hands of the military regime. The cost of a fall from power was too great a risk.<sup>260</sup>

A struggle broke out over the third-term amendment shortly after the 1967 elections and brought to a head the political conflict between Kim Jong Pil and the President's other political lieutenants. For entirely different reasons, Kim Jong Pil and S. K. Kim

<sup>258</sup> Korea Annual 1968, Hapdong News Agency, 1969, p. 12n.

<sup>259</sup> See p. 241 below and Gulf testimony before the Senate Subcommittee on Multinational Corporations (appendix C-156). This statement is qualified by the following. On three separate occasions in 1975, Gulf Oil executive Herbert Goodman described Gulf's \$1 million 1966 contribution in the context of Korean domestic events. On those occasions, while Goodman made several references to events which had occurred in 1966, the majority of the circumstances he described occurred in 1963. The apparent discrepancy in Goodman's recollection might be attributed to his confusion over events that took place in the distant past. Goodman strongly denies meaning to suggest that Gulf made any payments in 1963. Moreover, there was no corroborative evidence of any 1963 payment disclosed by the McCloy Committee which in 1975 conducted a special review of Gulf's overseas payments. On the other hand, former KCIA Director Kim Hyung Wook testified to the subcommittee (in executive session, July 20, 1978) that he had heard that Gulf provided political funds to Kim Jong Pil "at the very beginning" of Gulf's involvement in Korea. Furthermore, Kim disclosed knowledge of details of Gulf's affairs in Korea involving Kim Jong Pil and political contributions in the early 1970's that had never before been made public (see the Cooke to Goodman memorandum, appendix C-157.) The evidence available to the subcommittee was insufficient to clarify the matter.

<sup>260</sup> Op. cit., Joungwon A. Kim, p. 274.

opposed the third-term amendment, while Kim Hyung Wook and Lee Hu Rak were strong supporters.<sup>261</sup>

Since the amendment required the concurrence of two-thirds of the National Assembly, that institution became the focal point of the struggle. Both S. K. Kim and Kim Jong Pil had strong bases of support in the National Assembly, but Kim Hyung Wook and Lee Hu Rak did not. Eventually, a compromise was reached in which Kim Jong Pil and S. K. Kim exchanged their support for the resignations of Kim Hyung Wook and Lee Hu Rak.<sup>262</sup> While Lee continued to be active as a political fundraiser and later became head of the KCIA,<sup>263</sup> Kim Hyung Wook's political power and role as a fundraiser began to wane. Over the next 4 years, Kim began the process of moving his funds out of the country.<sup>264</sup>

The year 1969 was one of tremendous economic growth in Korea, stimulated by enormous inflows of foreign capital. Still, by the end of the year, cracks had begun to show in the foundation on which this growth was based. The Korean Government was forced to intervene in the operation of 30 firms which could not meet their foreign loan-induced debt obligations, and some 90 firms were threatened with bankruptcy.<sup>265</sup> By 1971, there were over 200 bankruptcies of Korean enterprises dependent on foreign loans.<sup>266</sup>

After 1969, the availability of all types of loans decreased, precipitating a decline in one of the Government's primary sources of political funds.<sup>267</sup> An effort was apparently undertaken to resolve the problem by increasing funding through the tax system<sup>268</sup>—which meant subverting it—but such efforts were set back by the extent of individual graft on the part of Korean Government officials, which reflected the general level of corruption.

In 1970, there were allegations by a high-ranking Blue House official that Lee Hu Rak, S. K. Kim, and Kim Hyung Wook had each amassed personal fortunes of \$100 million. In testimony under oath before the subcommittee, Kim Hyung Wook stated that he kept \$750,000 for his personal use from political funds collected by S. K. Kim. He further testified that S. K. Kim had similarly provided funds for the personal benefit of President Park, Madame Park, Chung Il Kwon, Lee Hu Rak, and Park Chong Kyu.<sup>269</sup>

With regard to moneys delivered to President Park, documents and statements made to the subcommittee indicated that funds

<sup>261</sup> Kim Jong Pil's opposition to the amendment derived from his own personal political ambitions to succeed Park as President. S. K. Kim, on the other hand, wanted to use his position to undercut the economic power Kim Hyung Wook and Lee Hu Rak were exercising over Kim's commercial activity. Kim Hyung Wook denied that he supported the third-term amendment, but he was contradicted on this and other details by his own former secretary. Subcommittee staff interview with Lee Baek Hee, May 23, 1977.

<sup>262</sup> Subcommittee staff interview with Lee Baek Hee, May 23, 1973.

<sup>263</sup> See pages below where the argument is that Lee's power and activity as a fundraiser grew during his tenure as director of the KCIA.

<sup>264</sup> Kim Hyung Wook's personal assets in 1976 were estimated by the subcommittee to be at least \$4 million. See his testimony in executive session before the subcommittee, published in KI-7.

<sup>265</sup> *Op. cit.*, Joungwon A. Kim, pp. 277-278.

<sup>266</sup> *Ibid.*

<sup>267</sup> Both foreign and domestic loans are subject to Governmental approval in Korea. Executive branch reporting indicated that businesses seeking such loans paid 20 percent of the amount of the loan in political funds.

<sup>268</sup> According to Joungwon A. Kim, "The primary internal means for acquiring political funds was through the tax system. This operated through the legislation of high tax rates, and the application of lower actual rates through unrealistically low assessments. Payoffs were given in exchange for favorable assessment rates." *Op. cit.*, p. 278.

<sup>269</sup> KI-7.

collected by Lee Hu Rak were placed in bank accounts in Switzerland, ostensibly for use by the President. Lee Hu Rak and others also reportedly provided moneys to the President which were maintained in a fund stored in a cabinet behind the President's desk in the Blue House. The existence of Swiss accounts was substantiated by bank records, by Lee Tong Hoon (one of Lee Hu Rak's sons), and by a close confidant of a number of high-ranking Blue House officials, including the President. (The latter source also claimed to have personally received funds from the President from his Blue House cache.) Lee Tong Hoon told the subcommittee that the moneys in Switzerland were a "government fund" for the use of the President; the fund, although maintained by Lee, was not for his personal use. In addition, Lee's son said that he maintained a \$2 million account for Lee in Japan.

An obvious question was why Park Chung Hee found it necessary to have secret funds at his disposal. According to Lee's son, the President needed to make payments to supporters, as well as to opposition party leaders who had been bought off. Along these lines, according to an executive branch report, a Korean businessman who sometimes acted on behalf of the Government alleged in 1973 that literally all opposition National Assembly members were receiving payments. He was also reported to have stated that the President's residual fear of military disloyalty prompted Park to make even more generous personal contributions and payoffs to key Army commanders in the early 1970's than in recent years.

With the upcoming presidential election in 1971, the need for political funds intensified. In June 1970, President Park reportedly directed S. K. Kim to put together a list of Korean businesses that could each contribute \$100,000 to the DRP. The list included the largest Korean combines, such as the Lucky Group, Hyundai Construction Co., the Samsung Group, and S. K. Kim's Ssangyong Group. Ironically, a number of the heads of these firms had been prosecuted by Park's military junta in 1961-62 as "illicit fortune accumulators."

Foreign businesses were also to be used to generate political funds for the 1971 elections. For example, Gulf Oil was asked to contribute \$10 million<sup>270</sup> (and subsequently provided \$3 million); Caltex Petroleum Corp. provided at least \$1 million, and perhaps as much as \$4 million, for the DRP's use;<sup>271</sup> and executive branch reporting indicated that the Korean agent of another U.S. corporation<sup>272</sup> had committed all of several million dollars in commissions to the Blue House (\$1 million was disbursed to offshore accounts in the agent's name prior to the 1971 elections).<sup>273</sup>

U.S. corporations were probably not the only foreign contributors to the 1971 elections. In April 1971, the month of the presidential

<sup>270</sup> Senate Foreign Relations Committee, Subcommittee on Multinational Corporations, hearings, May 16, 1975, pp. 9-10.

<sup>271</sup> See pp. 243-244 below.

<sup>272</sup> In the Gulf case, the payments were made as a result of extortionate demands by S. K. Kim; in the case of the Korean agent the payments would appear to have been the result of extortionate demands by Lee Hu Rak; in the Caltex case, there was no evidence of either extortion or bribery.

<sup>273</sup> The firm informed the subcommittee that it had no information which would indicate the uses to which its agent had put his commissions.

lection, four Japanese trading companies<sup>274</sup> involved in the sale of subway cars to Korea were instrumental in a transfer of \$1.2 million into a U.S. bank account.<sup>275</sup> The subcommittee could not identify the ultimate use of these funds because bank records for his transaction were routinely destroyed in 1976, in accordance with the bank's 5-year records retention program. However, on the basis of the timing of this transaction and the fact that later commission payments of \$1.3 million were laundered through accounts in the U.S. held by S. K. Kim,<sup>276</sup> there are circumstances indicating that some or all of these Japanese moneys may have been earmarked for the use of the DRP in the 1971 elections.

The quest for political funds did not end with the elections of 1971. As has been well-publicized as a result of this investigation and the investigations by the House and Senate ethics committees and the Department of Justice, from 1969 to 1975 Tongsun Park generated over \$9 million in rice commissions, in addition to \$10 million from other foreign business sources.<sup>277</sup> Out of these funds, Park made advances, loans, contributions, and cash gifts to both Korean<sup>278</sup> and American officials.<sup>279</sup> He stated that he resisted making payments to the DRP, which was one reason he lost his rice agency in 1971, but that his successors did make them:

Senator WEICKER. At no time, then, at no time then did you receive direction from any element of the Government of South Korea as to what should be done with \* \* \* the rice commissions?

Mr. PARK. That is correct \* \* \* one of the reasons why those business adversaries were able to ally themselves with key Government officials was, I refused to succumb to anybody's pressure.

So the group that replaced me, I was told, made such arrangements whatever they get they will try to share that with the party in power [the DRP]. But I wasn't willing to do that.<sup>280</sup>

<sup>274</sup>The four firms were Mitsubishi Corp., Nissho-Iwai Corp., Mitsui & Co., and Marubeni Corp. This sale has occasioned considerable public and Governmental discussion in Japan and has been the subject of review by both the Japanese Diet and the Japanese National Tax Administration. Selected press reports on the scandal appear in appendix C-166.

<sup>275</sup>The \$1.2 million was disbursed by Mitsubishi International Corp. Sources with access to the Japanese Diet hearings informed the subcommittee that this disbursement took place in April 1971. Subsequently, between July 28 and Aug. 13, 1971, the American subsidiaries of the other three trading companies reimbursed Mitsubishi International Corp. by issuing checks in the amount of \$300,000 each.

<sup>276</sup>\$1 million of the \$1.3 million reflected transfers of \$250,000 each by the four American ranches of the Japanese trading companies to an account at the Korean Exchange Bank in New York in S. K. Kim's name. The \$1 million was then transferred by the Korean Exchange Bank in New York to the account of the Korean Exchange Bank in Tokyo at the Chase Manhattan Bank's Tokyo branch. This transfer was effected on Feb. 1, 1973. On February 1 and the Korean Exchange Bank's account in Tokyo showed transfers of \$1 million or more to unknown accounts in three Tokyo banks: First National City Bank, Bank of America, and the Mitsui Bank. In May 1973, an additional \$300,000 was disbursed to S. K. Kim in care of the Korean Exchange Bank in New York, bringing the total disbursements to Kim in 1973 to \$1.3 million. The additional \$300,000 was also returned to Japan, in this case by direct wire transfers to the Korean Exchange Bank in Tokyo. (Korean Exchange Bank documents, appendix C-154.) Once Mitsubishi testified before the Diet that it paid \$2.5 million between 1971 and 1973 to the same unnamed individual, the subcommittee's documentary evidence of S. K. Kim's receipt of the \$1.3 million in 1973 suggests that Kim also received the \$1.2 million in 1971 when he was finance chairman of the DRP.

<sup>277</sup>Senate Select Committee on Ethics, hearings, Mar. 23, 1978, p. 357.

<sup>278</sup>Among the Korean officials to whom Park is known to have provided such funds are: Kim Yung Wook; KCIA protocol secretary Steve Kim; National Assemblyman Koh Heung Moon; CIA Station Chief Lee Sang Ho (Yang Doo Won); Secretary General of the Korean National Assembly Sunu Chong Won; KCIA official Choi Hong Tae; National Assemblyman Paik Too Bin; and Chief Secretary to the Speaker of the National Assembly Chung Je Ho.

<sup>279</sup>Park's payments to American officials is, of course, the subject of the investigations by the House and Senate Ethics Committees and the Department of Justice.

<sup>280</sup>Senate Select Committee on Ethics, hearings, Mar. 23, 1978, pp. 361-362.

Park clearly indicated how institutionalized the practice had become by the early 1970's:

Mr. PARK. I understand what you are saying. It was a custom for anybody who gets into big business, especially with the help of certain individuals in the Government, has to share the commission with the party you are referring to.

But I made the exception to that rule. That is why the late Mr. Kim [S. K. Kim], who was a big honcho, the man who took care of all of these arrangements, was extremely angry with me and finally he did have his way by throwing me out of business. But I just put down my—

Senator WEICKER. How could he throw you out of business if the business were not related to the Government of South Korea?

Mr. PARK. It was understood that any, it was a matter of practice right up to I think 1972 or as late as 1973. The way that they justified it was that the party needed the money, since it is intended for individuals, they could actually go to any business organization and say, because you are making all this kind of money, we would like to have you pay part of it.

It was, nobody was hiding it. Even foreign businessmen had to abide by such unwritten law. American companies, I am sure, had to do the same thing.<sup>281</sup>

Documents<sup>282</sup> found in Tongsun Park's house also indicated that the resources of foreign businesses were targeted by elements within the Korean Government as sources of funds for lobbying the U.S. Congress. These elements also saw assistance to U.S. companies as a way of winning congressional support—especially from those Members of Congress in whose districts the companies were located. Two documents—"Needs of Korean Foreign Policy Toward the United States" and "Plans for Korea's Foreign Policy Toward the United States"<sup>283</sup>—made this point:

## II. CONDUCT OF DIPLOMACY THROUGH ADVANCING INTERESTS OF SENATORS AND CONGRESSMEN

### A. PROVIDING ASSISTANCE TO THE SENATE AND HOUSE ELECTION DISTRICTS

#### 2. Helping the companies which have invested in Korea.

(a) If a firm situated in the district of a particular Congressional member indicates interest in investing in Korea, we give the firm assistance.

(b) *We give continuous support of the larger firms which have invested in Korea already (Gulf, Caltex, American Airlines, Fairchild) so that we can win over the members of Congress in whose districts the headquarters of such firms are located.* [Emphasis added]

### B. TWO ADVANTAGES BY ASSISTING ELECTION DISTRICTS

#### 1. By Helping Constituents:

(a) Senators and Congressmen will gain popularity.

(b) They in turn will actively help Korea.

#### 2. Benefits to be gained by helping them.

(a) By purchasing products of their districts, we will be able not only to use the voters' but also the elected officials' influence to our advantage.

(b) *The commissions derived from buying their products and other business transactions can be used to fund our activities. We will have the cake and eat it too.* [Emphasis added]

<sup>281</sup> Ibid.

<sup>282</sup> The authorship of the various documents found in Tongsun Park's home is in doubt, although there is no question that whoever authored them had to have been close enough to Park to know intimately the details of his activities, as Park himself recognized. The most prevalent assumption is that the documents were authored by KCIA protocol secretary Steve Kim (Kim Sang In), acting in the capacity of an intelligence agency control officer.

<sup>283</sup> Op cit. House Committee on Standards of Official Conduct, hearings, Part II, pp. 995-1019.

n "Report Relating to Otto Passman,"<sup>284</sup> the author specified how moneys could be raised from U.S. businesses active in Korea to finance KCIA-supported operations against the U.S. Congress:

#### IV. HOW TO RAISE FUNDS FOR THE UNITED STATES CONGRESS

A. Judging from the past experience, at least some \$500,000 is needed each year.  
 B. As to raising the funds, a direct subsidy by the Government should be avoided. We should raise funds out of profits generated by Government-supported business activities, and request your assistance in this regard.

This same document made another point, this time relating to commercial agents:

C. The government-supported projects should be those of either political and military significance or that carry heavy economic impacts on a national scale. In selecting projects, *priority should be given to such projects where foreigners are acting as agents for Korea, or projects for which no agent is being utilized.* [Emphasis added]

Both this document and the comments made by Tongsun Park on the Government pressures he faced over the disposition of the rice commissions illustrated the seriousness with which U.S. corporations need to approach the question of whom to employ as a commercial agent. Within the Korean Government, there seemed to have been a plan to have Government agents serve as commercial agents for foreign businesses, either by placing them (1) where no commercial agent was already participating in a specific commercial relationship, or (2) by overturning existing relationships. The practice was particularly recommended for large-scale projects, especially of political and military significance. In that regard, the subcommittee was concerned that a number of U.S. manufacturers and exporters of defense-related goods and services reportedly acquired their Korean commercial agents at the direct suggestion of Korean Government officials.

Lee Hu Rak's tenure as director of the KCIA, which began in 1970, was marked by an increase in corrupt business practices which apparently went well beyond Tongsun Park's activities. In March 1973 a prominent Korean businessman stated that Lee was still the man to see in order to expedite proposals on commercial projects through the presidential office. Lee had even more power as KCIA director than he had had as chief of the Presidential Secretariat.

The KCIA under Lee Hu Rak was also allegedly involved in a large-scale bank loan operation in Korea involving millions in illegal loans to business firms. The funds were said to have been used both to supplement the KCIA's budget and for the personal benefit of high-ranking KCIA officials. The subcommittee learned that there was a rapid turnover in bank personnel throughout Korea during the 6 months following Lee's removal as KCIA Director.

A third large-scale KCIA operation under Lee Hu Rak involved direct and indirect control over Korean exports and imports. Shin-n Motors, Daihan Nongsan, and Sunkyong Ltd. were among the larger firms reportedly under Lee's influence and control.<sup>285</sup> Moreover, by means of manipulating the allocation of the annual textile

<sup>284</sup> Ibid., pp. 1040-1044.

<sup>285</sup> This reporting was subsequently corroborated by statements made to the subcommittee by Kim Hyung Wook, Lee Young In, and Tongsun Park.

export quota to benefit firms under the control of the KCIA, large sums were obtained.

A fourth KCIA operation which began prior to Lee's tenure was intensified during this period. This involved U.S. military procurement in Korea. Executive branch reports in 1973 indicated that the KCIA had placed a unit within the Ministry of Commerce and Industry to oversee military procurement, to deal with military contractors, and to supervise kickbacks to the KCIA.<sup>286</sup>

Finally, the KCIA was believed to have been involved in "black bag" operations during Lee's directorship. The subcommittee learned that the KCIA had used Deak & Co., an international foreign exchange dealer, to courier foreign exchange in black bags into the Blue House. The subcommittee was interested in one \$20,000 payment that a U.S. corporation made to a Deak & Co. account in Hawaii in September 1973.<sup>287</sup> The funds were a portion of commissions disbursed by the corporation according to instructions from its Korean commercial agent—the Korean Engineering and Manufacturing Company—who had earlier directed \$5,000 to Chung Il Kwon and \$10,000 to Lee Sang Gyok, then a Korean Government official stationed at the United Nations. Deak & Co. told the subcommittee it was unable to locate documentation on this transaction.

There were many who benefited from Lee Hu Rak's tenure as a KCIA director. Tongsun Park was one. Shoul Eisenberg was reportedly another. Though U.S. Ambassador Philip Habib had warned American firms to avoid Eisenberg because of his reputation for making kickbacks,<sup>288</sup> President Park issued instructions in early 1973 that the Korean Government should favor Eisenberg as a source of financing for commercial projects. Park was reported to have favored Eisenberg because he had provided the junta with needed funds in the early 1960's when the United States was turning down development projects it considered impractical.

Park Chung Hee's directive may have played a role in the Korean Government's decision to buy a Canadian CANDU nuclear reactor,<sup>289</sup> a transaction on which Eisenberg served as agent. He subsequently received \$20 million in commissions and fees from the CANDU sale.<sup>290</sup> A Korean businessman interviewed by the subcommittee and a former embassy official stated that a subsequent investigation by the Blue House turned up evidence that Min Choong Shik<sup>291</sup> and Kim Jong Pil had received payments from Eisenberg's commissions. The Korean businessman further stated that these findings, and the Canadian Government's own investigation into the CANDU sale, led in 1975 to Kim's dismissal as Prime Minister and Min's dismissal as President of the Korea Electric Co.

<sup>286</sup> See "Military Procurement Problems in Korea," "Part C-IV: Economic Relations," pp. 215-225.

<sup>287</sup> Letter from a U.S. corporation to the subcommittee, Mar. 27, 1978.

<sup>288</sup> Subcommittee staff interviews with a former U.S. commercial counselor, Nov. 18, 1977.

<sup>289</sup> A general assessment of Korea's nuclear weapons capability is described in "Part C-1 Security and Political Affairs," p. 80.

<sup>290</sup> See issues 2-13 of the "Minutes of Proceedings and Evidence" of the Standing Committee on Public Accounts, Canadian House of Commons, 2d sess. of the 30th Parliament. Also see Ian Iqurhart's article, "A Scandal Revisited," *Maclean's Magazine*, Nov. 28, 1977, included in appendix, C-167.

<sup>291</sup> In 1963 Min joined the SCNR and following the elections was appointed to the Presidential Secretariat. He held a number of Government posts in the Korean foreign service before becoming president of KEPCO in 1973. Throughout his career he was regarded as a strong supporter of Kim Jong Pil.

Lee Hu Rak himself fell from power on December 3, 1973, and went into exile in Europe and the Bahamas. In February 1974, he returned to Korea after being promised he would not be prosecuted or physically harmed. Lee Tong Hoon told the subcommittee that Lee's fall from power was not due to either the Kim Dae Jung kidnapping or KCIA corruption, but rather to President Park's fear of Lee's personal power. He disclosed that a close associate of Lee's suggested at a kisaeng party that Park Chung Hee should step down and allow Lee to become President. This was reportedly tape recorded and communicated to the President by Park Chong Kyu.

Lee's son also told the subcommittee that after Lee's fall in 1973, the locus of power quickly shifted to the Presidential Protective Force (PPF) under Park Chong Kyu. The corrupt practices continued. While KCIA activities were sharply curtailed by the new KCIA director Shin Jik Soo, corruption reappeared under the auspices of the PPF. Executive branch reporting indicated that by May 1974 the Blue House had twice warned Park Chong Kyu about his involvement in questionable business activities. Then came the assassination of Madame Park in August 1974, after which Park Chong Kyu resigned. By late 1975, with the death of S. K. Kim and Kim Jong Pil's removal as Prime Minister, none of the major political fundraisers of the previous 15 years remained in official positions of power within the Government. However, Kim Jong Pil was still very active behind the scenes, and despite the CANDU reactor scandal, there was no real trouble between him and Park Chung Hee.

The same was not true for Lee Hu Rak. In 1978, his son told the subcommittee that Lee had not spoken to Park Chung Hee since his return to Korea in February 1974.<sup>292</sup>

Summarizing the events of the period, a Korean businessman explained that the trend was from independent centers of power and corruption to a concentration in the Blue House. In the end, all payments were going to the Blue House, and the cost of doing business was even higher than in the old days. The executive branch received an assessment of the trend up to 1973 from a prominent Korean businessman who observed that despite the outwardly dictatorial image of the Park regime, there was a cohesiveness to Korean society (through bribery and subversion of the Korean opposition) that he considered highly productive, particularly in high business circles. More recent reporting on anticorruption prosecutions in Korea over the last 2 years tend to support a statement by a Korean businessman that the centralization of political payments and economic decisionmaking in the Blue House was being reinforced by the prosecution of lower level Government officials involved in corruption.<sup>293</sup> An executive branch official ex-

<sup>292</sup> However, on Sept. 25, 1978, Lee Hu Rak announced his candidacy for the Korean National Assembly. When asked whether Lee would assume a key post in the DRP, DRP Secretary General Kil Chon-Sik reportedly commented, "Who does know about the future?" Haptong wire service, Sept. 29, 1978.

<sup>293</sup> "The tax investigation [of Kim Won Pil] follows a similar pattern established in the Kang In-Pong and Lee Hak-Su cases where government efforts to uncover corrupt practices were directed at companies popularly thought to have close working relationships with the ROKG. Motivation for such action stems from efforts to improve the Government image. However, these previous cases indicate secondary motives related to domestic politics may be involved." Department of State cable from Seoul to Washington, February 1977.

pressed the opinion that by 1978 President Park had emerged as the only key policymaker in the Korean Government.

### *The investigation*

#### *The KI Questionnaires* <sup>294</sup>

In order to investigate political payments and related business problems and practices, the subcommittee sent a questionnaire to 135 U.S. corporations doing business in or with the Republic of Korea. Corporations were selected on the basis of one or more of the following criteria: allegations of questionable business dealing in Korea; participation in joint-venture, coproduction, or technical assistance projects in Korea; direct equity investments in Korea and application to the Export-Import Bank for credits or guarantees in connection with the export to Korea of goods or services valued at \$1 million or more in a single transaction.<sup>295</sup>

The subcommittee received voluntary disclosures from 110 U.S. corporations. Forty-eight appeared to have had economic or political problems in connection with their business in Korea. For example, some firms reported cases of stock manipulation, questionable contract cancellations, embezzlement by a joint-venture partner and apparent discrimination in favor of Japanese firms, as well as requests for payments. The subcommittee dealt only with the problem of political payments and their foreign policy implications.

The subcommittee found that it could arrange the responses to the questionnaire into three broad categories: requests for political payments; kickback and rebating arrangements with Korean purchases, Governmental and private; and other payments whose purpose could not be determined with assurance but which seemed questionable.

#### *Political payments* <sup>296</sup>

U.S. corporations reported information to the subcommittee which indicated that persons within or closely associated with the Korean Government considered them as sources for political fund-raising activities by Koreans which the subcommittee considered to involve political payments included direct requests for contributions to the DRP (no requests were reported for funds for opposition parties); direct requests for payments or contributions in cash or in kind to Korean Government officials, agencies, or political fundraisers; and indirect payments or gifts to Korean Government officials, agencies, or political fundraisers by commercial agents or representatives of a U.S. firm.

The dollar value per individual payment, request for payment, or contribution in cash or in kind varied greatly. Some went to low-level Government officials and appeared to have been isolated

<sup>294</sup> There were two versions of the questionnaire, both of which appear in appendix C-153. The longer, more detailed version was sent to firms alleged to have made payments, firms with agents or business partners alleged to be political fundraisers, and firms having reported questionable payments to the Securities and Exchange Commission.

<sup>295</sup> Aside from allegations which came from a variety of sources, the primary source material used in selecting corporations were a classified computer printout on commercial transactions with Korea provided by the U.S. Export-Import Bank; commercial reporting from the U.S. Embassy in Seoul; and the various editions of the U.S. Business Directory for the Republic of Korea.

<sup>296</sup> All information in this and subsequent sections derives from responses to the subcommittee's questionnaire or classified U.S. Government documents, unless otherwise indicated.

ases involving relatively nominal amounts.<sup>297</sup> In one case a firm was asked to contribute a number of walkie-talkies to a local police department in Korea; the firm provided \$5,000 worth. Several firms established special funds from which disbursements of this type were made routinely. However, not all payments to lower level Government officials and Korean Government agencies could be characterized as one-time, nominal, and of doubtful significance. One firm felt compelled to terminate business in Korea after having had to spend the equivalent of its entire equity in Korea (\$100,000) in response to demands from Korean customs and tax officials. It reported paying out \$100,000 in "grease money" to lower Government officials, especially in customs. On one occasion a crate of lumber being cleared through customs was sold by officials for \$6,000. They told the firm it would be reimbursed for the full amount, but the firm received only \$2,500. Customs explained that the lumber "wasn't heavy enough" and sold at a very low price. The same firm reported that when its tax burden increased from 20-30 percent of gross sales in 1971 to 70 percent in 1974, Korean tax authorities suggested that if the firm put a tax collector on its payroll, its taxes would be much less.

Not all reported payments to tax officials appeared to have resulted from demands by Korean officials. A U.S. firm stated that payments were made [to tax officials] to avoid heavy tax penalties for an infraction of the Korean tax laws] which could have been assessed. The tax officials, after receiving payment, cleared the matter."

In cases where requests for political payments were made, in very few of the reported instances did they come from one of the principal Korean Government fundraisers. However, Lee Hu Rak did approach two U.S. firms for political contributions; in both cases the firms acceded to the requests.

The more commonly reported experience was for a close associate of one of the fundraisers to approach the firm. A number of companies were asked to make payments by persons believed to be associated with Lee Hu Rak, Chung Il Kwon, S. K. Kim, and Kim Jong Pil. Colt Industries was asked to contribute to the 1971 presidential elections by Mickey Kim, chief assistant to Park Chong-yu. Kim told the firm's representative that Park had asked him to request the contribution.<sup>298</sup> (On advice of counsel, Colt declined to do so.) Another firm was asked to make payments to Ambassador Kim Dong Jo and to the campaign of a U.S. Senator.<sup>299</sup> Neither

<sup>297</sup> The questionnaires did not require disclosure of payments of less than \$1,000 because of the prevalence in the Far East of the practice of making small cash gifts to Government officials and others, especially during holidays. The "relatively nominal amounts" referred to here, therefore, are amounts at or slightly over \$1,000. In some cases payments of this type were merely considered by the corporations as routine "public relations" expenses. See, in this regard, the ledger sheets reflecting Gulf Oil Corp.'s so-called "Gray Fund," appendix C-158.

<sup>298</sup> Internal Colt Industries' documents reflecting the request and the firm's decision against making the contribution appear in the appendix C-150-152.

<sup>299</sup> In this case the U.S. firm was requested to transfer funds representing portions of commissions due its Korean commercial agent to the Ambassador and the campaign fund of a U.S. Senator. While the firm was able to cancel the payment to Ambassador Kim by demanding reimbursement, and while the Senator's campaign committee properly returned the payment to in recognition of campaign laws prohibiting contributions by U.S. firms, the subcommittee is concerned that the attempted payment to the Senator's campaign was evidence of covert lobbying efforts undertaken by Ambassador Kim Dong Jo in the United States. (See p. 47.) The check stub corresponding to the payment to the Senator's campaign made reference to Ambassador Kim, not the commercial agent. Therefore, the subcommittee referred this matter to the Senate Select Committee on Ethics.

payment was made. However, as previously noted, a third corporation, Douglas Aircraft, was asked to make a payment, ostensibly for Deputy Prime Minister Chang Key Young, in consideration of his assistance in insuring Korean Government approval for a sale to a Korean Government entity. The firm also paid over \$70,000 to two other Korean Government officials; this occurred shortly before the 1967 Korean elections, and the money was believed to have gone to the DRP.<sup>300</sup>

Responses to the subcommittee's questionnaire, in conjunction with executive branch reporting, indicated that around the time of the 1971 Presidential election in Korea, \$8.5 million was paid to U.S. firms for the benefit of the DRP, either directly or through their Korean agents or business partners. Of the \$8.5 million, Gulf Oil provided \$3 million;<sup>301</sup> Caltex made available \$4 million (\$2 million in loans and \$2 million in "pre-paid fees") to its Korean business partner;<sup>302</sup> and the agents of three other U.S. firms were paid a total of \$1.5 million in commissions less than 3 weeks before the election under circumstances which made it likely that the DRP was the ultimate beneficiary. Given the fact that Kim Dae Jung lost the 1971 presidential election by less than 8 percent of the vote, there are serious foreign policy implications associated with these payments. While it is impossible to assess the degree to which DRP funding from U.S. sources affected the vote spread in this or any other Korean election, nonetheless the possibility exists that the \$8.5 million, when commingled with funds from other sources, accounted for the difference in the votes for Kim Dae Jung and Park Chung Hee.<sup>303</sup> Furthermore, the figure of \$8.5 million only includes payments known to the subcommittee and does not take into account, for example, other indirect payments to the DRP made by joint-venture partners of American firms unknown to their U.S. partners, the executive branch, and the subcommittee.

The subcommittee had reason to believe that not all U.S. firms approached for political payments made them. Many more millions of dollars were reported as having been requested but not provided. Further, according to the responses to the questionnaire, the majority of U.S. firms were not directly approached.

Brief descriptions of the experiences of two firms illustrate the chain of events surrounding political payments by U.S. corporations. The payments discussed in the first case related to the 1966 referendum on the third-term amendment to the Korean Constitution and to the 1971 Presidential election. The payments reported in the second case occurred as recently as 1977, and perhaps 1978.

Aside from showing the methods of political payments, these cases are instructive of some of the inherent difficulties in the voluntary disclosure program set up by the SEC in 1976. With so many firms participating in disclosures, the SEC's ability to review thoroughly the issue of questionable overseas payments is problematic, and the SEC relies largely on the willingness and ability of large corporations to investigate their own activities. The first case

<sup>300</sup> Douglas Aircraft documents reflecting these transactions appear in appendix C-139-14.

<sup>301</sup> Senate Foreign Relations Committee, Subcommittee on Multinational Corporations, hearings, May 16, 1975. See appendix C-156.

<sup>302</sup> See Case 1 below.

<sup>303</sup> Park Chung Hee actually lost the election in Seoul but made up for the difference in the rural balloting. The rural vote was noted for widespread voting irregularities. See Jungwon Kim, *op. cit.*, pp. 281-283.

was not reported to the SEC, and the second case was investigated by outside counsel, pursuant to a consent decree entered into with the SEC, who found at that time that insufficient evidence existed to warrant the conclusion that political payments had or would be made.

*Case No. 1.*—In October 1970, Suh Jung Kwi, president of Caltex Petroleum Co.'s Korean joint venture, Honam Oil Co., relayed to Caltex a request from the DRP for a \$1 million contribution. Suh said the DRP needed the money to defray expenses incurred during the 1969 referendum on the third-term amendment. The request was received at Caltex headquarters in New York, which told its representatives in Seoul that political contributions were against company policy. Honam's Korean officers then proceeded to make an equivalent \$1 million contribution in won on Honam's behalf. When informed afterward of this contribution, Caltex did not object because responsibility for government and public relations in Korea had been allocated to its Korean partners.

Had this contribution not been made, approximately \$500,000 would have been available for distribution as dividends.<sup>304</sup> Because Caltex was to receive the first \$330,000 of any dividends distributed and then 20 percent of the remaining dividends, this \$1 million contribution resulted in a \$364,000 loss for Caltex. This sum was viewed by the subcommittee as an indirect contribution to the DRP, a conclusion with which Caltex strongly disagreed.

In early 1971, Suh informed Caltex that the DRP had once again approached the joint venture for a \$1 million contribution, this time for the upcoming presidential election. Because of Honam's existing cash flow problems, Suh Jung Kwi sought a \$1 million loan from Caltex, making it clear the funds had to be delivered outside Korea and in dollars. He directed Caltex to transfer the \$1 million to a Swiss bank account.<sup>305</sup> This was done on March 15, 1971.

This was not the first time a payment arranged by Suh Jung Kwi had been sent to a Swiss account. In September 1969, Gulf Oil Corp., following the purchase of \$2 million worth of shares in a company owned by Suh, transferred \$200,000 of that amount to a Swiss bank account in Suh's name.<sup>306</sup> In that transaction, the bank signature card was signed by Lee Hu Rak in Suh's presence, and the bank statements for the account were mailed to Lee's son-in-law, Chung Wha Sup.<sup>307</sup>

Honam repaid the \$1 million loan by granting Caltex a discount on the fuel oil Caltex purchased from Honam during the period from late 1972 to early 1974. Honam paid no interest on the loan. Had Honam not granted the discounts to Caltex, an additional \$500,000 would have been available for distribution to the Honam

<sup>304</sup> Caltex informed the subcommittee that Korean corporate income taxes were 25 percent and that only about two-thirds of profits were distributed in dividends. These circumstances were taken into account in estimating the indirect contribution.

<sup>305</sup> The bank account was in the name of the Asia Trading Co., a Panamanian-registered firm owned by J. K. Suh and others.

<sup>306</sup> See the excerpt from Gulf's response to the KI questionnaire, appendix C-157.

<sup>307</sup> Ibid. Also see the bank document included in appendix C-157 which indicates that Chung Wha Sup was to receive the bank statements for what was ostensibly Suh's account. Lee Hu Rak's son confirmed to the subcommittee that Chung managed money for Lee Hu Rak.

shareholders. Of that, Caltex would have received an estimate \$168,000.<sup>308</sup>

Thus Caltex indirectly made available through its Korean joint venture over \$500,000 to the DRP in 1970 and 1971. In spite of Caltex's disagreement with this characterization of the transactions, they did agree that the contributions by Honam to the DRP "had an economic impact on Caltex."

Further, on two separate occasions after 1970, the Korean shareholders of Honam negotiated a contract with Caltex calling for Caltex to make lump sum "prepaid crude brokerage fee" payment totaling \$8 million to a bank account in Switzerland.

Caltex stated this was done "in consideration of the efforts and assistance of the [Korean] shareholders in obtaining and continuing to obtain additional business for Honam which to date has resulted in an increase in the quantities of crude oil sold [to Honam]." These payments were also to compensate the Korean shareholder for a decrease of their dividend rights and their surrender of the right to purchase a portion of Caltex's interest in Honam.

Caltex asserted this arrangement was made for proper commercial reasons and was advantageous to Caltex. As in the case of the financial transactions described earlier, Caltex stated that it was in no position to know the ultimate recipient and use of these funds.

However, Caltex's Korean partner belonged to the Lucky Group which was on the list of Korean corporations seen as capable of contributing to the DRP, which had been drawn up on President Park's orders in 1970. Because of the Lucky Group's longstanding ties to the DRP,<sup>310</sup> and because J. K. Suh had in 1969 contributed \$200,000 to that party, there is a very real possibility that at least a portion of the \$8 million deposited in Switzerland benefited the DRP.

*Case No. 2*—In the fall of 1972 a Korean businessman, Choi K. Rim, notified Foremost International that the Korean Government was considering a project involving the purchase of commodities and services, and asked whether Foremost would be interested in pursuing it. Foremost sent a representative to Seoul to discuss the matter with Choi and officials of the Government. In a meeting with two Foremost officials, Choi told them that "payments to the Party of President Park" would be expected in advance.<sup>311</sup> Foremost informed Choi by letter that it was unwilling to proceed with negotiations.<sup>312</sup> As a result, Choi subsequently indicated that :

<sup>308</sup> Because Caltex received its preferential dividend of \$330,000 in 1973 and 1974, this latter figure is smaller than the earlier figure of \$364,000.

<sup>309</sup> "Agreement between Caltex and (name not supplied by Caltex) as representative for class A shareholders." May 5, 1970.

<sup>310</sup> The principal power within the Lucky Group is the Koo family. One of the Koo brothers—Ku Tae Ho—was a member of the Party Affairs Committee of the DRP from 1970 to 1973 and chairman of the Policy Committee from 1971 to 1972. In 1973 Ku Tae Ho was a cabinet official with the rank of Minister without Portfolio. From 1973 to the present he has been vice chairman of the Policy Committee of the Yujeong-hoe (a fraternity of legislators selected to the National Assembly by President Park), and since 1976 concurrently vice speaker of the National Assembly.

<sup>311</sup> Subcommittee staff interview, Aug. 8, 1978; memorandum from R. H. Baum to C. I. Loveland, Dec. 1, 1972, see appendix C-95; foremost response to the KI questionnaire, Sept. 1 1978.

<sup>312</sup> Letter from E. G. de la Ossa to Ki Rim Choi, Nov. 6, 1972; see appendix C-93.

local group" would handle the arrangements for payment of the necessary political funds.<sup>313</sup>

The local group was Apex International,<sup>314</sup> an affiliate of a U.S. company active in Korea as a U.S. military contractor. Choi arranged for Apex to work on the project as a subcontractor to Foremost in order to facilitate the disbursement of the political funds.<sup>315</sup> Documents indicated that Apex was to pass through \$500,000 from Foremost to Choi, under Apex's proposed contract with Foremost.<sup>316</sup> Choi would then presumably pass this money on to the DRP.

At some point after the initial discussions between Choi and Foremost, another Korean businessman—Um Ick Ho—entered into the negotiations. Um appeared to Foremost representatives to be Choi's "boss." He was executive vice president of a U.S. joint-venture in Korea and a close friend of Tae Wan Son, Deputy Prime Minister and head of the Economic Planning Board.<sup>317</sup> At a meeting with Choi and Foremost officials, Um spoke of the Korean sense of ethics and suggested that political contributions were not considered immoral in Korea.<sup>318</sup>

Meanwhile, Foremost had concluded that it could not proceed on the supply contract without a feasibility study to determine precisely what supplies were needed. The original \$15 million supply contract was set aside in favor of a contract for a \$200,000 feasibility study, removing the basis for the arrangement involving Apex. However, Apex continued to be involved because of its relationship

with Choi and because it desired to participate in the eventual supply contract.<sup>319</sup>

The Korean Government, Choi, and Um expected that Foremost would handle the general supply contract at the conclusion of the feasibility study. However, when the time came in 1974 for negotiations, Foremost decided it did not have the necessary expertise nor the willingness to take on substantial liability for warranties and guarantees under the general supply contract. Accordingly, Foremost proposed instead a "dual contract" approach which it hoped would eliminate or minimize these problems.<sup>320</sup>

Foremost's decision was not well-received. At a discussion in Seoul, its representatives were threatened by Um, as reported to Foremost's headquarters in a letter of June 20, 1974.<sup>321</sup>

<sup>313</sup> Letter from R. H. Baum to C. F. Loveland, Dec. 1, 1972; see appendix C-95; memorandum from J. F. Rebosio to R. H. Baum, Nov. 15, 1972; see appendix C-94.

<sup>314</sup> Subcommittee staff interview, Aug. 21, 1978. Apex "took over" from Intercon Development Co., like Apex an affiliate of Fischer Engineering & Maintenance Co. (FEMCO). The principals of Intercon were also the principals in Apex.

<sup>315</sup> Apex disputes this characterization; see appendix C-137. However, see especially the following: letter from K. R. Choi to E. G. de la Ossa, Dec. 9, 1972 (appendix C-96); memorandum from D. F. Morse, Intercon, Dec. 15, 1972 (appendix C-99); letter from E. G. de la Ossa to Intercon, Dec. 12, 1972 (appendix C-97); letter from R. H. Baum to J. F. Rebosio, Dec. 14, 1972 (appendix C-98).

<sup>316</sup> See memo for the record, D. F. Morse, Intercon, Dec. 15, 1972 (appendix C-99).

<sup>317</sup> Foremost response to the KI questionnaire, Sept. 1, 1978; letter from Burton Rockwell to Russell Baum, May 14, 1974 (appendix C-109); memo from R. H. Baum to E. G. de la Ossa, Mar. 1973 (appendix C-100).

<sup>318</sup> Foremost response to the KI questionnaire, Sept. 1, 1978.

<sup>319</sup> Interoffice correspondence from C. Y. Catibayan to Don Morse, Mar. 23, 1973 (appendix C-102); interoffice correspondence from Don Morse to Cesar Catibayan, June 5, 1973 (appendix C-105).

<sup>320</sup> Memo from R. H. Baum to N. J. Denaut, June 20, 1974 (appendix C-112).

<sup>321</sup> Ibid. See also Burton Rockwell to Russell Baum, Sept. 13, 1974 (appendix C-115) and letter from Rockwell to Baum, May 14, 1974 (appendix C-109).

\* \* \* Throughout all of the discussions regarding the project, a very strongly politically oriented group of influential Koreans has been working unofficially to insure [Foremost's] receiving the general supply contract for commodities and services. We have been given to understand their influence extends downward from the upper-most levels of the executive branch of the Government. Personal conversations \* \* \* have indicated that one of the most influential of this group has strongly intimated that [Foremost's] effectiveness in its present activities in Korea and its potential for expanding its role in other commercial ventures could be very seriously hampered or curtailed should we not make every effort to negotiate a supply contract with \* \* \* the Korean Government.

When the Export-Import Bank to whom Foremost had applied rejected the proposal, Foremost sought out other companies that might be interested in completing the project.<sup>322</sup>

Foremost was successful in interesting American Health Facilities International (AHFI). According to Foremost officials, the informed AHFI that political contributions would be expected as a condition to obtaining the contract.<sup>323</sup> Past and present employees of AHFI have denied this.<sup>324</sup> In any case, Foremost arranged meetings between AHFI officials and the Korean commercial agents—Choi and Um—who Foremost understood represented the DRP on the matter of political payments.

In December 1974, AHFI agreed to hire Choi as its agent and Apex as prime subcontractor. In addition, Choi and Apex entered into a separate contract in connection with the supply contract under which Choi also became the agent for Apex. In this way Choi could expect commissions from both Apex and AHFI amounting to roughly \$1.75 million.

Documents subpoenaed by the subcommittee indicated that Apex, too, was aware of the necessity for payments from the very beginning of negotiations in 1972. Apex was concerned that its only role in the project would be that of conduit for funds to Choi.<sup>325</sup> In addition, Apex was aware that Choi's political funds were to be partly shared with a Dr. Hong Ki Kim, who, as head of the Seoul National University Hospital, was a Government official.<sup>326</sup> The hospital was the entity purchasing the commodities and services from Foremost and AHFI. In fact, Apex had already paid Dr. Kim \$1,500 to "defray his expenses" for a trip to the United States to negotiate with Foremost on behalf of the Korean Government.<sup>327</sup> Apex had committed to writing in February 1973 the covert role that Dr. Kim was to play, using the code names Charlie and Peter for Choi and Dr. Kim:

\* \* \* I asked [a Foremost official] if he required our assistance at any stage of their \* \* \* survey and he said no, that they would be using hospital personnel only but that their quote, naturally, includes arrangements for political consideration so we might be called upon for disbursements of same . . . Will have to be sure Charlie and Peter see to it that we have to be included one way or other or they may not be able to get their part of the deal.<sup>328</sup>

<sup>322</sup> Letter from Burton Rockwell to Neil Denaut, Oct. 24, 1974 (appendix C-118).

<sup>323</sup> Subcommittee staff interview, Aug 8, 1978.

<sup>324</sup> Subcommittee staff interview, Apr. 17, 1978; letter from Leonard Ring and Associates to the subcommittee, Oct. 3, 1978. See appendix C-138.

<sup>325</sup> Interoffice correspondence from Don Morse to Cesar Catibayan, June 5, 1973, appendix C-103; interoffice correspondence from Catibayan to Morse, June 16, 1973, appendix C-104.

<sup>326</sup> Apex disputes this statement (letter from Donald Morse to the subcommittee, Oct. 2, 1978, appendix C-137).

<sup>327</sup> Interoffice correspondence, Cesar Catibayan to Don Morse, Sept. 25, 1972, appendix C-9; See, also, interoffice correspondence, Catibayan to Morse, June 27, 1973, appendix C-105, which refers to "Charlie's group."

<sup>328</sup> Interoffice correspondence, Don Morse to Cesar Catibayan, Feb. 22, 1973, appendix C-10

There was reason to believe that from early on in its involvement with the hospital project, certain AHFI officials knew that payments to Korean Government officials might be made out of the commissions it would be paying to Choi and to Apex, although the evidence supporting this conclusion is strongly disputed by AHFI. As noted previously, Foremost representatives said they had told AHFI, and at the time of the initial discussions between AHFI and Foremost, one of AHFI's officials wrote that a Foremost consultant had emphasized that "certain local contingencies of 10 percent of the contract price were provided for by FEMCO<sup>329</sup> which was to be the installation subcontractor."<sup>330</sup> While the meaning of this passage is now disputed by the parties to the document, other information strongly suggested that this was a reference to a pricing contingency of 10 percent for Choi that was included in the prices drawn up by Apex and Foremost for the hospital as part of the feasibility study.<sup>331</sup> This pricing contingency came to be known as the "J-factor" and was referred to in a letter of May 14, 1975, from Apex to AHFI.<sup>332</sup> AHFI officials have also disputed the meaning of the "J-factor," describing it as a reference to Annex J of the March 1975 contract between the hospital and AHFI.<sup>333</sup> However, that term had been in use almost a year prior to the March 1975 contract.<sup>334</sup> Further, with regard to AHFI's knowledge that payments would flow from the "J-factor" to Korean Government officials, AHFI received a telex from Choi in March 1975 regarding a proposed reduction in the contract price, in which Choi wrote:<sup>335</sup>

\* \* \* I strongly suggest you reduce total price by \$500,000, of which reduction 50 percent shall be from our portion and 50 percent from your portion by cable to Dr. Lim. Stop. Your cable must say you reduced total price only upon receipt of Mr. Choi's advice in order to protect Dr. Kim's portion and for project to proceed smoothly.

Although somewhat ambiguous, Choi seems to be communicating with AHFI about payments. Furthermore, a former AHFI official informed the subcommittee that he was told by Apex that the "J-factor" referred to "juice," and he and other AHFI officials were informed by Choi subsequently that Choi had obligations to pay Korean Government officials out of his commissions.<sup>336</sup>

Statements and documents seen by the subcommittee show that payments to Korean Government officials were made out of commissions paid by AHFI or its subcontractor Apex. A known pay-

<sup>329</sup> AHFI would appear to have confused FEMCO with Apex, a natural confusion given the interchangeability of Apex and FEMCO personnel. See the memo for the record signed in Morse's name by Cesar Catibayan and mailed to Choi Ki Rim, Dec. 5, 1973, appendix C-106.

<sup>330</sup> Memorandum from John C. Hough to Kenneth C. Wright, Nov. 11, 1974, appendix C-120.

<sup>331</sup> The 10 percent "contingency" is the subject of a memo for the record signed by Cesar Catibayan in Don Morse's name and addressed to Choi Ki Rim, Dec. 5, 1973, appendix C-106.

<sup>332</sup> More than a month later, Morse wrote Lim that Foremost had included 10 percent for Choi; interoffice correspondence, Jan. 4, 1974, appendix C-105.

<sup>333</sup> Letter from Don Morse to Kenneth Wright and Richard Roberg, May 14, 1975, appendix C-23.

<sup>334</sup> Subcommittee staff interview with Kenneth Wright, Apr. 17, 1978; memorandum from Richard Roberg and Kenneth Wright to Ron Scharf, Sept. 16, 1975, appendix C-125; memorandum to annex J, Mar. 7, 1975.

<sup>335</sup> See letters from Don Morse to Burton Rockwell: Apr. 30, 1974, June 14, 1974, June 24, 1974, and June 28, 1974, appendix C-108, 110, 113, 114; and interoffice correspondence, Don Morse to C.A. Lim, June 19, 1974 (appendix C-111) which makes clear that the J-factor is Choi's commission.

<sup>336</sup> Copy of cable, Choi to Kenneth Wright, Mar. 3, 1975, appendix C-121.

<sup>337</sup> Subcommittee staff interview with David Edwards, Mar. 4, 1978; subcommittee staff interview with Kenneth Wright regarding statements made to Thomas Mitchell by Choi, Apr. 17, 1978.

ment was made to Dr. Kim;<sup>337</sup> another was for the benefit of a Government official with the Economic Planning Board.<sup>338</sup> In addition, over \$500,000 in other disbursements by Choi had to be considered questionable. These moneys were commissions which, upon receipt from AHFI, were laundered by Choi through the bank account of an Apex official to third parties in Korea and the United States, or were withdrawn from Choi's account in large amounts of cash. At least \$30,000 appeared to have been laundered for the benefit of Um Ick Ho; \$180,000 went to an individual whose name could not be deciphered from the check he received from Choi; and another \$330,000 was laundered through an Apex official's bank account for one Koo Bum. With regard to Koo Bum, the subcommittee learned that Choi is related by marriage to the Koo family which controls the Lucky Group of companies. Koo Bum is the son of the founder of the Lucky Group, Koo Chong Hoe. Two of Koo Bum's uncles are DRP National Assemblymen, one of whom is a leading figure in the party. While the subcommittee gathered no evidence that moneys were paid to the DRP, the method by which Choi drew down the bank accounts containing his commission made such payments entirely possible.<sup>339</sup>

#### *Kickback and rebating arrangements with Korean purchasers*

Responses to the subcommittee's questionnaire showed that kickbacks and rebates by U.S. corporations to Korean purchasers of commodities and services were prevalent. Such practices seemed to be particularly common to certain industries, notably, aircraft, grain, shipping, wig, and petroleum-related products and service industries. In some cases, the kickbacks or rebates went to the employees or owners of private Korean firms, in other cases to Korean Government agencies or officials.

With regard to the latter, there is a serious question as to whether such payments constitute extortion by Government officials or bribery of Government officials to facilitate sales. There is evidence which suggested that in one arrangement KORVAC, the Korean distributor of a Sperry Rand subsidiary, may have made a payment to a Korean customer in the amount of \$50,000 in connection with lease of equipment. The customer was the KCIA.<sup>340</sup> Two other firms—Caltex and Gulf—provided rebates on sales of fuel oil sold to the Korean Ministry of National Defense. Gulf characterized the payment as rebates or kickbacks, Caltex as "volume discounts." It was difficult to understand Caltex's characterization, and a description of the arrangement makes it clear why.

The maximum price allowable for petroleum and petrochemical products sold in Korea is controlled by the Korean Government. According to Gulf, "the Government endeavors to maintain these prices at low levels in order to provide energy and chemical feed

<sup>337</sup> Photostat of a canceled check to Dr. Hong Ki Kim, appendix C-129.

<sup>338</sup> The Subcommittee staff interviewed this official on Oct. 19, 1978, and was told that this transfer was a foreign exchange transaction unrelated to the hospital project. Whether Choi was actually reimbursed in won for the dollars he provided to this official could not be determined.

<sup>339</sup> On the Koo family, see footnote 310 above. The laundering practice is described in the deposition of George Krause, July 31, 1978, appendix C-135.

<sup>340</sup> Sperry Rand informed the subcommittee that "no proof has been established that this payment was ever actually made." However, the subcommittee received allegations concerning this payment, not only through Sperry Rand's response to the questionnaire, but from other sources as well.

sucks to Korean industry and fuels to the Korean public at the minimum possible cost." However, in late 1970 officials of the Ministry of National Defense requested that both Gulf and Caltex's Korean joint ventures increase the price at which they offered to sell petroleum products to the Ministry of National Defense. The difference between the Gulf and Caltex offered price and the higher final selling price was to be rebated directly to the Ministry. The Ministry stated that the funds would be used for housing soldiers and their families and that all companies in Korea had been requested to make the same arrangements and were complying. After initially resisting this procedure, both Caltex and Gulf went along with the arrangements. The subcommittee estimated that these rebates amounted to approximately \$750,000 a year from 1971 to 1975, when the practice was in force. Because the prices charged by Caltex and Gulf were higher, not lower, than the prices they were willing to charge, these transactions cannot be considered "discounts."

In addition, these arrangements were illegal under Korean law,<sup>341</sup> regardless of the fact that officials in the Ministry of National Defense were instrumental in setting them up. The effect was that Korean defense budget appropriations included items inflated above their actual costs. Furthermore, whatever uses were made of the funds rebated to the MND had not been authorized by the Korean National Assembly, undermining its constitutional functions. Finally, the transactions raise serious questions for both the Korean National Assembly and U.S. military planners about the actual level of defense spending by the Korean Government. The following description is of another arrangement for payments, made available, in this case, in connection with sales of cotton by Hohenberg Brothers Co. International, a subsidiary of Cargill Inc., to Korean purchasers. What Cargill assumed to be a simple accommodation payment desired by the Korean purchaser for its own purposes was potentially far more significant when placed in the context of other facts apparently not known to Cargill.

The arrangement involved a Korean mill which used a purchasing agent located in New York. Cargill understood there was a "strong connection" and "perhaps some common directors" between the Korean mill and the New York purchasing agent. When Cargill sold cotton to the mill, the agent would direct Cargill in the disbursement of the commissions owed it. Typically, Cargill would pay a percentage to the agent, a percentage directly to the mill, and a small percentage to "another related corporation located in the United States." Cargill emphasized that neither the Korean Government nor any Korean political party was to its knowledge involved in the arrangement. "The Korean mill was the moving party in seeking the accommodation arrangement and \* \* \* there were no corrupt or political overtones, but merely commercial ones, to the arrangement \* \* \*." Further, the arrangement " \* \* \* did not involve overpricings as such although it is possible that the same

<sup>341</sup> Even if this were not interpreted as a bribe or extortion under Korean law, it would appear to violate article 315 of the Criminal Code. Article 315 concerns interference with the impartial conduct of auctions and bids.

result was accomplished by the level of and method of establishing commissions by the Korean mill and its purchasing agent."

In its response to the subcommittee's questionnaire, Cargill also made some general observations. Overpricing "is unfortunately common request in many parts of the world and an unwillingness to accommodate these requests will often result in a flat refusal by the buyer to do business." The arrangements relating to overpricing had aspects which Cargill believed might have seemed uncommon in some parts of the world but were not uncommon in Korea in the area of cotton buying and selling. According to Cargill:

\* \* \* The request to overprice cotton would, as a matter of mechanics, often be conveyed to the U.S. seller by the Korean purchasing agent but it is the strong impression of the U.S. merchants involved that these requests actually emanate from the buying mills who initiated them, acquiesced in them and fully participated in the proceeds of overpricing whether these proceeds were returned to Korea, in the form of commissions, or were directed to be paid elsewhere.

It seemed that the agent and buying mill were often closely allied—"the agent, in fact, being an alter ego for the mill." Cargill understood from this that the transactions were "accommodation payments" to the mill owners, who were really behind them.

The subcommittee verified that the New York-based purchasing agent—Daihan Nongsan Corp. of America—did in fact have a direct proprietary connection with the Korean mill—Daihan Nongsan Co. Ltd.—as the corporation assumed. Thus, commission payments to the agent, as well as the payments directly to the mill, would fall under the subcommittee's classification of rebates or kickbacks.

Given the information Cargill had available, it might well have assumed the arrangement to be strictly commercial, without political overtones. Indeed, Cargill would not appear to have been in a position to believe otherwise. However, the subcommittee has no reason to doubt that characterization. According to executive branch reporting, Daihan Nongsan was previously under the influence and control of KCIA director Lee Hu Rak. The subcommittee had other information indicating a connection with the KCLC. Daihan Nongsan was a contributor to a KCIA front for academic research—the Research Institute on Korean Affairs.<sup>342</sup> Furthermore, during the early 1970's, under pressure from Lee Hu Rak and S. K. Kim, Daihan Nongsan was used to launder over \$1 million in rice commissions received for the benefit of Tongsu Park.

### *Questionable payments*

A number of corporations reported disbursements which (1) they identified as possibly having been political payments or (2) they could not identify but which could be construed as such. For example, there was the \$8 million disbursed by Caltex in "prepaid brokerage fees" and the \$500,000 in AHFI and Apex commissions laundered by Choi Ki Rim. To these illustrations of questionable payments should be added the following:

(1) In 1969, GATX-Fuller Ltd., a British subsidiary of GATX Corp., became a party to a consortium headed by the French firm Five-Lilles-Cail. At one point, Five-Lilles-Cail negotiated an agency

<sup>342</sup> See "Part C-V: Educational, Informational, and Cultural Activities," pp. 290-293.

agreement with United Development Inc. (UDI) in connection with sale of equipment to Korea. UDI is a company registered in Panama and owned by Shoul Eisenberg. According to GATX, Fives-Cail notified GATX-Fuller that the consortium would be using UDI and would provide compensation in the form of a commission equivalent to 25 percent of the contract. GATX informed the subcommittee that neither it nor its subsidiary questioned the high rate.

GATX-Fuller then issued two promissory notes (both dated March 24, 1970) to UDI, the total of which equalled roughly 25 percent of the contract. One note directed that 142,308 pounds sterling (approximately equivalent to \$341,500) be paid into a UDI account at a British bank on February 23, 1971, which was 2 months before the Korean presidential election.

While the timing of the payment with respect to the Korean elections may have been coincidental, as previously noted the subcommittee received a considerable amount of information from the executive branch, Korean businessmen, and former Korean Government officials alleging that Eisenberg had contributed substantial funds over a period of years to the highest ranking officials of the Korean Government. The executive branch received information in 1970 that Eisenberg had a reputation among the Korean business community for obtaining contracts by paying commissions up to 25 percent to influential Blue House staff members. Other reports over a period of years alleged payments of over \$5 million in loans, gifts, and kickbacks to or for the DRP and Korean officials. In any event, the 25-percent commission paid to UDI by GATX-Fuller on a multi-million dollar contract is extraordinarily high, sufficiently so to raise questions.

(2) Union Oil Co. of California reported that "from time to time loans, advances, and other payments have been made to C. H. Kim, the owner of 50 percent of the common stock" of Union Oil's joint venture, Kyung In Energy Co., Ltd. The subcommittee received information indicating that C. H. Kim (Kim Chong Hee, also known as Dynamite Kim) was a close friend and relative by marriage of Lee Hu Rak. In the latter part of 1973 and early 1974, Kim Chong Hee interceded with Park Chong Kyu and with President Park to allow Lee Hu Rak to return to Korea from exile abroad and to guarantee he would not be harmed.

The subcommittee also received information which suggested that Kim was more than a good friend of KCIA Director Lee. Kim Chong Hee, his brother Kim Chong Shik, and his company, Korea Explosives, apparently participated in KCIA operations in the United States during Lee's tenure as director. Kim Chong Shik was instrumental in getting Lee Hu Rak's son-in-law, former KCIA second bureau chief, Chung Wha Sup, nominated to the board of the Korean Association of Southern California, which at the time was the largest Korean residents' association in the United States. Kim and Chung were successful in ousting a critic of the Park Government from the chairmanship of the association.<sup>343</sup> This kind of activity was embodied in the 1973 KCIA-Korean Foreign Ministry "Plan for Properly Guiding Korean Residents."<sup>344</sup> Kim Chong

<sup>343</sup> Subcommittee staff interview.

<sup>344</sup> See "Part C-II: Intelligence Activities and Plans, p. 98."

Hee's brother was also active at board meetings of the Korea American Political Association—an organization in which the Moon Organization and Korean Government officials were heavily involved personally and financially.<sup>345</sup> In addition, \$20,000 was contributed in the name of Korea Explosives to the KCIA from RIKA.<sup>346</sup>

The subcommittee was unable to determine whether any of the loans and other payments made by Union Oil to Kim Chong Hee and his companies were used as political funds. Union Oil did not respond to the questionnaire with respect to Kim Chong Hee, although it indicated that Kim and his companies may have been "agents, consultants, or representatives" within the meaning of question 4 of the KI questionnaire.<sup>347</sup> Union Oil explained that Kim and his companies were not a "third party nonparticipant," but rather a principal of the joint venture. To the corporation, the phrase "agent, consultant, or representative" had "unfavorable overtones that are not appropriate for a man of Kim's stature as an industrial leader in Korea." With due respect for Kim's stature, a question still arose about how the payments made by Union Oil to Kim and his companies were used in view of the association of Kim and his companies with and in support of KCI operations in the United States.

### *Responses of the U.S. Government to political payments*

As has been discussed in the historical background to this section, after the 1961 coup the United States insisted that the Korean Government carry out a systematic program to rid the bureaucracy of corruption. It backed that stand by threatening to withhold \$28 million in promised assistance. Although the military regime had instituted an anticorruption program, embassy officials soon became aware that corruption was widespread under the new Government. In 1963, after some flagrant incidents involving the KCIA, they raised the issue directly with Park Chung Hee but apparently did not do more than make the Korean Government aware of their concern.

There has been an allegation by Herbert Goodman, an executive of Gulf Oil Corp., made in a letter written by an attorney in 1975 that in 1963 the U.S. Government actually encouraged political payments to support the impending election. Goodman now denies the allegation, and the subcommittee was unable to substantiate the information from other sources. Nevertheless, it believed the matter to be important enough to warrant mentioning.

In the 1975 letter, Goodman recounted the incident to the lawyer who wrote:<sup>348</sup>

While on assignment for Gulf in Korea in 1966,<sup>349</sup> [Goodman] received overtures for a political contribution from a Lee Hu Rak, who as Presidential First Secretary functioned as "General Park's Haldeman." This request was precipitated by our

<sup>345</sup> See "Part C-V: Educational, Informational, and Cultural Activities, pp. 348-351."

<sup>346</sup> *Ibid.*

<sup>347</sup> Question 4 reads: "Please list all consultants, agents, representatives, and subagents thereof, who were employed by the corporation for business in or with the Republic of Korea."

<sup>348</sup> Letter from John Logan O'Donnell (attorney for W. L. Henry of Gulf Oil Corp.) to John McCloy (chairman, Gulf Oil Corp.) Special Review Committee, Sept. 19, 1975.

<sup>349</sup> Although Goodman states that he is describing events leading up to the 1967 election, it is apparent from the details that he is referring to the 1963 election. Goodman was in South Korea prior to both of those elections. See footnote 259 above.

State Department's insistence that the Korean regime legitimize itself by holding a general election. Korea had never before had an electoral campaign, much less one modeled along American lines, and its officials were uncertain how to find an opponent to run against General Park, and, more importantly, how to finance such an election.

Mr. Goodman noted that the first difficulty was solved when a courtly old gentleman was prevailed upon to lend his name to the opposition party. The second problem was more substantial; at the suggestion of our State Department, however, the campaign was to be financed by "private contributions" in the same way that other domestic political parties are supported. As a result, the Gulf Oil Corp., the largest investor in Korea, was "requested" to make a \$1 million contribution to General Park's election fund. The contribution was to be in cash, transferred through a Swiss bank. The tenor of the "solicitation" and the manner of delivery do indeed parallel our own domestic election practices.

Further details were contained in a memorandum on an interview Goodman had with the Gulf Oil Corp. Special Review Committee: 350

After the overthrow of the government by General Park, a great deal of pressure was placed by the U.S. Government on the then Korean officials, mainly military officers, leading the country to hold an election "to legitimize" themselves. According to Goodman, the officials were finally convinced and a team of U.S. advisers were sent to Korea to tell them how to run an election. Goodman stated that in some ways the operation was a bit of a farce since people were standing for election without even realizing it and that a great deal of the effort being made was merely to satisfy the United States and to avoid loss of financial and military aid from the United States were the election to be held [sic]. It became obvious that General Park and his fellow officers would need money to run an American-type election and [again, according to Goodman], the U.S. advisers suggested that they get money from the various corporations (including the United States) operating in the subject country. At this point Gulf was the only substantial foreign investor and Goodman does not believe that the \$4 million was a particularly large contribution for the time period involved.

In the later 1960's, while the U.S. Government was well aware of the general problems of corruption in the Korean Government, it was unclear whether the Government was aware of the issue of corporate payments by U.S. firms or their extent, especially in connection with the 1967 election. For example, in 1968 State Department officials were concerned over the potential implications of the operations of businesses of a third country in Korea and the prevalence of corporate payments.

\* \* \* businessmen [of the third country] are deeply involved in playing the Korean corruption game and paying off various political figures. If unchecked or uncontrolled, this might lead to their using funds to bring about the election to office of particular individuals whose devotion to sound economic development or Korean welfare may be less than their appetite for bribes. An even more dangerous consequence of bribery [by those businessmen] would be a great public scandal which would lead to political turmoil and possibly the fall of the Government.<sup>351</sup>

It is curious that these officials made no mention of American businessmen being either directly or indirectly drawn into "the Korean corruption game" or of that threat, given that these same officials were then urging greater U.S. private investment in Korea. Even more interesting, they seemed to view the problem in terms of bribery rather than extortion, whereas the investigation revealed that the latter was far more prevalent. In addition, they indicated a matter-of-fact attitude toward the possibility of election proffs, expressing concern not so much over the payments them-

Memorandum to file, Gulf Review Committee, interview of Herbert Goodman, May 29, 1975. Declassified excerpt from a classified U.S. Government document.

selves but over whom they would support and the threat that scandal could topple the Government.

The subcommittee found no evidence that the executive branch made any formal representations to the Korean Government took other steps concerning the corruption from the time of K. Jong Pil's removal in 1964 to 1971. In August of that year, Phi Habib became Ambassador, and he took a firm stand against the activities of both Tongsun Park and Shoul Eisenberg throughout his ambassadorship. He warned visiting congressional delegations and corporations about dealing with those two and wrote numerous memos to State in Washington, reporting on their activities and requesting action against them.

There were indications that Habib and the U.S. Government were aware of corrupt activities involving more than those two commercial agents.

From time to time in the early 70's, representatives of [our] company attended luncheons at the U.S. Embassy in Seoul, Korea, during which time representatives of other companies doing business in Korea complained to Ambassador Habib and members of the staff about the general problem of the need to make political contributions in Korea in order to do business in that country.<sup>352</sup>

According to a State Department official, the meetings began probably some time around May 1972 when two American businessmen who represented smaller firms were invited to speak at a meeting of junior embassy staff.<sup>353</sup> The businessmen described the payoffs that had to be made, how the funds were used, and the channels through which "the squeeze" was put on American businesses. They noted how widespread the problem was and how much pressure they faced. American firms had to haggle over the amount of the payoff with whomever was making trouble for them, whether it was the Korean tax authorities or the Ministry of Commerce and Industry. However, for the most part, the State Department official commented, U.S. firms did not complain because they did not think anything could be done and they were still making profits.

The official characterized the attitude of other junior embassy officers. They were concerned that the Japanese were "better" at making payments and that American business was "handicapped because of its squeamishness about making payments."<sup>354</sup>

By the mid-1970's, the problem of kickback and rebating arrangements that Korean firms and the Government were pressing on foreign companies whose products they were purchasing had also come to the embassy's attention, along with other irregular and suspicious incidents like the Deak and Company "black-bag" operations, rigging of competitive bidding procedures used in military procurement, and improper transactions in relation to Public Law 480. An embassy officer stated that U.S. businessmen occasionally came to the Embassy seeking advice on their problems, explaining that they were attempting to sell products to Korean firms but were running into competition from the Japanese or other sources. Their Korean commercial agents told them that such problems could be overcome if a particular person on the Korean firm were

<sup>352</sup> Letter from a U.S. corporation to the subcommittee, Aug. 28, 1978.

<sup>353</sup> Subcommittee staff interview, Nov. 7, 1977.

<sup>354</sup> *Ibid.*

“taken care of.” The embassy officer noted in relation to these “business to business” payoffs that “State danced around the problem,” telling the businessmen they should not make the payments but, at the same time, they should expect their commercial agents to do what was necessary to conduct business in Korea.

In 1975, the extent and nature of political payments became public when the Securities and Exchange Commission and the Congress became involved in assessing the extent of the problem of overseas payments and its implications for stockholders and American foreign policy. Since 1975, the executive branch has repeatedly denounced political payments in the strongest terms,<sup>355</sup> and both the executive branch and the Congress supported passage of the Foreign Corrupt Practices Act which was signed into law in December 1977. The Government also proceeded against several firms. In spite of this, there were indications that the Government has not responded as fully as it might. While in 1977 embassy officials told the subcommittee staff that there was no longer a problem with regard to political payments in Korea, several American businessmen alleged that the problem had ameliorated significantly but had not completely disappeared.<sup>356</sup> Recently, the administration implied that it viewed the Foreign Corrupt Practices Act as a disincentive to U.S. business abroad and made no mention of the serious foreign policy concerns associated with these practices.<sup>357</sup>

### *Conclusion*

As noted, there has been considerable public debate over the issue of payments made by American corporations to officials or agents of foreign governments. The very substantial payments made by Lockheed, Exxon, and Gulf Oil created a sensation because of their size and because they went to persons at the highest levels of foreign governments. Public disclosure of these payments created political turmoil in Japan, Italy, and the Netherlands. (Information about the Gulf Oil payments to Korean political figures and the Democratic Republican Party has never been made public in Korea.)

Voluntary disclosures made under the program instituted by the SEC revealed that among American companies, the practice of making payments abroad was widespread and that the types and sizes of payments varied. Some were made to facilitate day-to-day company operations, while others, especially the more substantial payments, were made to obtain major sales contracts, as contributions to political parties, to enrich specific officials, or to support Government operations in general or those of specific agencies. Members of the business community have defended these payments on grounds that demands are frequent and persistent and that unless they make the payments, they will lose their business to other firms willing to make them. They argue that payments are “culturally acceptable,” even though sometimes illegal, and are

<sup>355</sup> See, for example, House Committee on Interstate and Foreign Commerce, Subcommittee on Consumer Protection and Finance, Hearings, Apr. 21, 1977.

<sup>356</sup> In fact, during the subcommittee staff's investigative mission to Japan and Korea, an American businessman told the staff that he had been approached for a political payment while in Korea the week before.

<sup>357</sup> See the President's statement on exports of Sept. 26, 1978 and a related Washington Post article, appendix C-155.

rooted in the social mores of societies very different from that of the United States. One writer summarized this argument:

The reasons multinationals must do business amid a profusion of outstretch hands go deep into the history and structure of the lands in which they operate. In much of Asia and Africa, the market economy as we know it, in which the sale of goods and services is governed by price and quality competition, never has existed. What has developed in its stead are intricate tribal and oligarchic arrangements of social connections, family relations and reciprocal obligations, lubricated by many forms of tribute, including currency.<sup>358</sup>

In the case of Korea, one firm justified its payments to the Democratic Republican Party as "contributions to democracy."

Generally, defenders of the practice of making payments do not distinguish between those made at the lower levels of foreign bureaucracies to expedite routine operations and the larger payments they believed were expected for major undertakings such as the construction of power plants, arms sales, and the acquisition of oil exploration and mining rights. They also do not address the fact that payments by American multinationals occur in Europe where social mores do not support bribery of public officials, which is considered politically offensive and subversive of the free enterprise system and democratic government.

The most widespread argument in defense of the payments that they facilitate American business abroad—that without making payments, American firms will not be able to compete. The business community has pointed out that a substantial percentage of U.S. GNP is generated from sales and business abroad. Some businessmen have suggested that enforcement of the Foreign Corrupt Practices Act and SEC disclosure requirements will reduce the effectiveness of American marketing and that ultimately it is the balance of payments which will be affected.

While recognizing these arguments, the subcommittee concluded that in fact there was and is little justification for U.S. Government tolerance of political payments or commercial practices which perhaps inadvertently facilitate them. Since the subcommittee was authorized to investigate political payments by U.S. firms only, it was unable to judge whether foreign competition functioned as a factor compelling payments.<sup>359</sup> However, the Korea case demonstrates clearly that the advantage of facilitating U.S. business abroad can also entail the disadvantage of corrupting foreign democratic institutions.<sup>360</sup>

With respect to the arguments of cultural acceptability, the subcommittee noted that many of the practices were illegal under Korean law and that both the recipients and the corporations conducted their transactions so as to hide them. Recipients in Korea generally insisted on payments in cash or into bank accounts outside the country. The companies making them used a variety of accounting techniques that obscured the nature of the payments from internal auditors; these included "off the books" accounts, misr-

<sup>358</sup> Milton Gwertzman, "Is Bribery Defensible?" *New York Times Magazine*, Oct. 5, 1975. See appendix C-163.

<sup>359</sup> To accurately assess the question of necessity would require an investigation of allegations of payments by foreign competitors; this is a matter outside the mandated responsibility of the subcommittee.

<sup>360</sup> See, especially, the previous analysis of the potential impact of political payments on the 1971 Korean presidential elections, p. 241 of this section.

ing expenses, overbilling, and spurious rebate and discounting procedures.

The subcommittee also noted that in many instances the payments represented a loss to American stockholders, since they reduced the profits available for distribution. This situation could result in suits against the corporations, which are also subject to prosecution under various U.S. laws.<sup>361</sup>

More important, the subcommittee found that not all companies experienced demands for payments and that many who did refused to accede to them. This did not seem to have affected their business in Korea.

The subcommittee was particularly concerned about the serious consequences for Korean democracy resulting from corrupt business practices and political payments. Bribery of government officials is not simply a business transaction. The payments can help recipients achieve and maintain political power, at times illegally. Substantial amounts of the payments from American corporations appear to have gone into the campaign coffers of the ruling Democratic Republican Party. The corrupt relationship between the Government and the foreign firms it regulates has enabled the DRP to monopolize most of the funds available in Korea for political activity and vastly to outspend its opponents in election campaigns.<sup>362</sup>

The subcommittee found that although some companies may be regarded their payments as "contributions to democracy," others made payments specifically to prevent a change in political leadership.

The subcommittee also addressed the very serious questions that corrupt business practices raised about U.S. foreign policy toward Korea. The enormous increase in U.S. trade and investment in the Republic of Korea in the 1960's and 1970's was consistent with a major U.S. foreign policy tenet—that the United States had a vital role to play in the development of South Korean economic self-sufficiency, seen as essential to Korean support of its own defense. There is no doubt that both the Korean people and their American

<sup>361</sup>A number of companies disclosing questionable payments to the SEC or subject to SEC or Justice Department enforcement proceedings were subsequently subject to stockholders' law suits.

<sup>362</sup>See the historical background above. Jounghwon A. Kim, op. cit. pp. 255, 271, reports the following figures for the 1963 and 1967 National Assembly elections:

Party	Seats won	Percent of total expenditures	Percent of total votes
1963 elections to the National Assembly:			
Democratic-Republican .....	110	38.2	32.4
Civil rule .....	41	15.1	19.3
Democratic .....	13	13.8	13.2
Party of the People .....	2	12.8	8.6
Liberal Democratic .....	9	9.1	7.6
Others .....	0	11.0	19.0
- Total .....	175	100.0	100.0
1967 elections to the National Assembly:			
Democratic-Republican .....	129	45.8	50.6
New Democratic .....	45	27.2	32.7
All others .....	1	27.0	16.7
Total .....	175	100.0	100.0

business partners have much to be proud of in the rapid economic growth of Korea in the last two decades. Nevertheless, the corruption in business relations and the correlation between that corruption and political support of the ruling party have contributed to the continuance of an autocratic government that denies its citizens fundamental civil and human rights. The promotion of a just system of government has also been an important foreign policy goal of the United States in Korea, a country which historically has been ruled by autocratic regimes. U.S. support for the establishment of democracy in Korea has been far less successful than its support of Korea's economic development.

If American business is to succeed in reforming its practice abroad, in Korea as elsewhere, which by U.S. law it is now required to do, it will need help from American diplomats in dealing with governments whose politicians demand payments or with the governments of countries who choose to ignore the payments the firms make.

The U.S. Government has an obligation to American business to help work out the political problems encountered by U.S. firms abroad just as those firms have an obligation to report demands for such payments to the U.S. Government. The United States must be willing to intervene both formally and informally with governments demanding payments as well as developing other ways of signaling to foreign governments that the American attitude has changed.

### *Recommendations*

With respect to countries where corrupt commercial practices are known to involve American business interests, the Department of State should consider taking the following steps:

- (a) develop and retain in the commercial section of the Embassy all available information, including intelligence, concerning such practices;
- (b) urge U.S. corporations to provide the Embassy with information concerning their commercial relationships in the country;
- (c) inform U.S. businesses about the potential problems of doing business in the country, including problems arising from corrupt or questionable practices.

The President should consider establishing a task force comprised of representatives of the Department of State, Department of Commerce, Securities and Exchange Commission, and U.S. corporations to study ways of improving the commercial training of foreign service commercial attachés. Such training should include the study of corrupt commercial practices which may affect American business or foreign policy interests in the attaché's country of assignment.

Consideration should be given to amending the Foreign Corrupt Practices Act of 1977 to prevent the diversion of commission payments to third parties for illegal or improper purposes.

## V. EDUCATIONAL, INFORMATIONAL, AND CULTURAL ACTIVITIES

The subcommittee was authorized to investigate educational and informational relationships between the Republic of Korea (ROK) and United States. This authorization resulted from allegations that the Korean Government and the Korean Central Intelligence Agency (KCIA) attempted to shape public opinion and improve the image of the ROK in the United States through various questionable activities.

The Government of Korea has a wide range of official agencies which legitimately disseminate information about the ROK and seek to influence U.S. public opinion. However, in many instances these agencies went beyond acceptable limits in their efforts to influence U.S. public opinion. These efforts took many forms during the years 1970-78. This section discusses those which were aimed at improving the image of the ROK through financial donations to American academic institutions, covert and overt use of research institutes and academic conferences, and approaches to individual scholars, sometimes involving harassment and intimidation.

This section also describes attempts to influence reporting of the news media on Korea. The Government censored its domestic press and limited access of the Korean populace to foreign news sources. It also sought to manipulate members of the U.S. news media by harassing correspondents in Korea and offering expense-paid trips to Korea. Further, the KCIA attempted to drive anti-ROK Government Korean-language newspapers in the United States out of business.

In an effort to centralize its various influence activities, in 1975 the Government sent Han Byung Ki, President Park's son-in-law, to New York as U.N. Ambassador to be in charge of all its efforts to alter U.S. public opinion.

Individuals and organizations closely associated with Sun Myung Moon also played an important part in shaping public opinion toward Korea and Korean-American relations. Because it is complex and in many respects unique, the Moon Organization (as the subcommittee designated it) is discussed separately at the end of this section. Although the discussion includes extensive detail on the significant political and economic activities of the Moon Organization, it is included here because its principal effect on Korean-American relations related to activities designed to shape public opinion.

### ROK GOVERNMENT INFORMATION ORGANIZATIONS

The Republic of Korea, like other nations, has a number of government institutions officially responsible for legitimate overseas educational and informational activities. Primary, but not exclusive, responsibility for informing the world about the ROK currently lies with the Ministry of Culture and Information, specifically with the Korean Overseas Information Service (KOIS). Domestic affairs are handled by the Bureaus of Public Information, Arts, Cultural Affairs, and Press and Broadcasting Affairs within the Ministry.

Within Korea, the Ministry operates the state-owned radio and television network, Korean Broadcasting System (KBS), and disseminates government programming to various private radio and television broadcasting companies. The KBS has in the past had certain informal agreements with U.S. Government agencies; it relayed Korean-language Voice of America broadcasts live for the United States Information Agency (USIA) until 1973, for example. In addition, broadcast items prepared for foreign dissemination are produced at KBS and Ministry of Culture and Information facilities in Seoul and distributed through the KOIS.

The KOIS runs approximately 44 information centers around the world, including the Korean Information Office (KIO) in Washington, D.C., the principal official source in the United States for informational material on the ROK. While the KIO is attached to the Korean Embassy, it is actually under the joint direction and control of the Ministry of Foreign Affairs and the Ministry of Culture and Information; its director, the Cultural and Information Attaché, is responsible to those Ministries.

The prime responsibility of the KIO is that of official spokesman for the Government in contacts with U.S. Government agencies, U.S. mass media, and the American public. It is in charge of dissemination of press releases, ROK policy statements, and brochures and booklets about the ROK published in Korea by various Ministries. Further, the KIO publishes the weekly Korea Newsletter, which contains news of Korean society and culture; it also puts out other informational material in English. Although it focuses mainly on the Washington, D.C., area because of the concentration of U.S. national press and Government agencies, the KIO does distribute material throughout the United States. Another important function of the KIO is to study the U.S. media to ascertain what image the American public and leaders have of Korea. This information and opinions of U.S. media staff on events concerning Korea are routinely reported to the Ministry of Culture and Information. The KIO also has film-lending and library facilities open to the public.

The Korea Information Service, a branch of the Ministry of Culture and Information located in Seoul, puts out two English-language publications: The English language daily Korea Herald and the weekly Korea News Review, both widely circulated to U.S. academic, business, and government institutions, as well as to a great number of private individuals. Although a U.S. edition of the Korea Herald is published in this country, news content and editorial policy do not vary from the Seoul edition and represent official policy.

Each of the eight consulates in the United States also disseminates material to persons within their jurisdictional boundaries; some of it is published in the United States, some in Korea. The material includes brief descriptions of both the Republic of Korea and the Democratic People's Republic of Korea (DPRK), as well as details of activities, speeches, and policy statements by ROK President Park Chung Hee or other official spokesmen. Business reports are also covered. Other publications of an "academic" nature are published by a number of research institutions and universities in Korea and distributed by the consulates. Many of these publica-

tions are funded covertly by the Government. For the most part, these materials are distributed free of charge.

The Ministry of Education, particularly through the International Education Section, also handles informational and educational matters. Its responsibilities in the United States are to: (1) Oversee the sending of Korean students to this country; (2) assist those students and monitor their activities; (3) provide educational materials in Korean and English to both American academic institutions and schools for Korean children; and (4) in some cases, oversee applications for grants to fund Korean studies programs and research at American universities.

The Education Attaché in the Korean Embassy in Washington, D.C. acts as the Education Minister's voice in the United States. He is the official contact with the U.S. Government and American institutions of higher learning. However, during the past decade the Minister of Education personally played a crucial role in matters concerning the Ministry in the United States. This was particularly true of former Education Minister Min Kwan Shik, who had an active role in ROK Government grants to several U.S. academic institutions and continued to be involved in negotiations with American universities over other grants after he left the Ministry of Education in 1974.

One of the responsibilities of the Education Attaché is to oversee Korean students in this country. This job covers scholarships, information on U.S. academic institutions, and guidance on students' problems. Although the Education Attaché has on occasion monitored political activities of students in this country, this is not an officially defined responsibility.

Korean-language material is also distributed by the KCIA to Korean residents in the United States. According to Kim Sang Keun, a KCIA official in the Embassy in charge of Korean residents in the Washington, D.C. area from 1971 to 1975, particularly after the establishment of the Yushin constitution in 1972, both the KCIA and the Ministry of Culture and Information prepared public relations materials on the Yushin system.<sup>1</sup> Kim received KCIA materials from Seoul and distributed them to Korean residents in Washington through the KIO and the consular section of the Embassy. He also gave them directly to Korean residents with whom he had contact.

The Embassy itself on occasion distributes material published by other organizations. For example, in 1977 it sent out free copies of Korean Phoenix, a book published by Prentice-Hall; they went to individuals and organizations throughout the country with the compliments of Ambassador Kim Yong Shik.

Another informational responsibility of ROK consular offices is to distribute material designed to promote tourism and facilitate travel to Korea. This is done in conjunction with normal consular duties and is a service to Americans wishing to visit Korea.

Similarly, promotional information concerning trade between the United States and the ROK is distributed through the Government-run Korean Trade Promotion Office (KOTRA), with branches in major American cities.

<sup>1</sup> See "Part C-II: Intelligence Activities and Plans," p. 92.

Over the years, the ROK Government has contracted, in accordance with U.S. law, for the services of a number of individuals and firms engaged in public relations to improve the image of Korea in the United States. The objective, in the words of a ROK Embassy spokesman, has been

to communicate to the American people information about the political, economic, social, and cultural accomplishments of the government and people of the Republic of Korea and the strategic importance of the country to the free world. In other words there is obviously a lot more to Korea than today's news reports would indicate.<sup>2</sup>

The individuals and firms representing the Government are required by the Foreign Agents Registration Act to register with the U.S. Department of Justice.

#### ATTEMPTS TO INFLUENCE THE U.S. ACADEMIC COMMUNITY

The subcommittee's inquiry into possible attempts by the ROK Government to influence the academic community in the United States stemmed from allegations of such attempts. Prof. Lee Jai Hyon, former chief cultural and information attaché of the Korean Embassy in Washington, D.C., testified before the subcommittee on June 10, 1975 that part of a 1973 Government plan<sup>3</sup> to influence American public opinion included efforts to "organize indirectly, or to finance covertly scholastic meetings, seminars, and symposia of Korean and American professors to rationalize [President] Park's dictatorship or, at least, to curb their criticism."<sup>4</sup> Professor Lee also said that the Korean Government was to organize associations of scholars in order to "extract their support for Park, with reward of [ROK] Embassy entertainments and possibly free VIP trips to Korea."<sup>5</sup> Such efforts to use American academic institutions and scholars for political purposes were part of a larger clandestine KCIA plan to improve the image of the Government in this country through "seduction, payoff, and intimidation."<sup>6</sup>

On December 16, 1976, following shortly after U.S. media reports in October and November of large-scale Government efforts to peddle influence in the United States, the New York Times reported that ROK efforts in the academic sector paralleled "the drive in Congress to develop a climate that favors Korean interests."<sup>7</sup> The article cited the allegation that a grant to Harvard University from Korean sources was intended to curb criticism of the Korean Government by two Harvard University professors. The article quoted a Korean newspaper operating under strict censorship, which stated that one objective of the grant to Harvard University was "to promote counteractive efforts against those who spearhead anti-Korean Government moves \* \* \*, thereby to engender a pro-

<sup>2</sup> Korean Information Office, Korean News, Sept. 10, 1970.

<sup>3</sup> For a discussion of this and other ROK Government and KCIA plans, see "Part C-II: Intelligence Activities and Plans," pp. 96-97.

<sup>4</sup> Human Rights in South Korea and the Philippines: Implications for U.S. Policy, hearings before the Subcommittee on International Organizations of the Committee on International Relations, U.S. House of Representatives, 94th Congress, 1st sess., May 20, 22, June 3, 5, 10, 12, 17, and 24, 1975, p. 180.

<sup>5</sup> Ibid.

<sup>6</sup> Ibid., pp. 179-181.

<sup>7</sup> The New York Times, Dec. 16, 1976.

Korean atmosphere at Harvard and in other American academic circles.”<sup>8</sup>

Other articles in the U.S. media, notably *Christianity in Crisis*<sup>9</sup> and the *Bulletin of Concerned Asian Scholars*,<sup>10</sup> also alleged that grants to the American academic community had been used by the Korean Government and KCIA to influence U.S. scholarship on Korea and East Asia. The *Bulletin* article asserted in part that the KCIA provided “cash through various front organizations to certain Korean scholars in the United States, mostly Korean specialists. These scholars in turn organize \* \* \* gatherings \* \* \* in conjunction with larger academic events of American origin.”<sup>11</sup>

The subcommittee’s attention was also drawn to KCIA plans to “utilize” and “manipulate” specific individuals and institutions in the U.S. academic community, as outlined in the “1976 KCIA Plan for Operations in the U.S.”<sup>12</sup> According to this plan, academic conferences and research institutions were to be used in part to “create a pro-ROK atmosphere,” and “pro-ROK” scholars were to be used to counter academic meetings by “anti-ROK” scholars in this country. Further, scholars thought to be critical of the Korean Government were to be invited to Korea and “co-opted.” For these and other operations aimed at the American academic community, the KCIA was to provide specific dollar amounts totaling approximately \$188,000.

By examining Korean-American relations in the academic field, the subcommittee sought to determine: (1) What offers of financial assistance, whether covert or overt, had been made to U.S. academia by Korean sources; (2) whether the Korean Government had attempted to use the U.S. academic community to further its political interests; (3) and if so, whether the Korean Government had been successful. The subcommittee examined the cases of eight U.S. universities, several research institutions, and numerous individual scholars who had received offers of financial assistance or trips from Korean sources. Nevertheless, it should be noted that there may be cases of which the subcommittee was unaware. Further, with respect to individual scholars, the subcommittee did not have the resources to look into every case of offers of support from Korean sources. In addition, the subcommittee investigated all the academic institutions and scholars targeted in the 1976 KCIA plan to determine to what extent the plan was actually implemented.

### *Grants to U.S. academic institutions*

Korean studies programs at American universities have been financed in the past through National Defense Education Act

<sup>8</sup> For a translated copy of the Korean newspaper article, see “Activities of the Korean Central Intelligence Agency in the United States,” hearings before the Subcommittee on International Organizations of the Committee on International Relations, 94th Cong., 2d sess., Part I, Mar. 17 and 25, 1976 (hereinafter referred to as “SIO-I”), pp. 108-109.

<sup>9</sup> Frank Baldwin, “The Korean Lobby,” *Christianity in Crisis*, vol. 36, No. 12 (July 19, 1976), pp. 162-168.

<sup>10</sup> Kang, Sugwon, “President Park and His Learned Friends: Some Observations on Contemporary Korean Statecraft,” *Bulletin of Concerned Asian Scholars* (October/December 1975), pp. 28-32.

<sup>11</sup> *Ibid.*, p. 29.

<sup>12</sup> “Investigation of Korean-American Relations,” hearings before the Subcommittee on International Organizations of the Committee on International Relations, 95th Cong., 1st sess., Part 3, Nov. 29 and 30, 1977 (hereinafter referred to as “KI-3”), pp. 131-133; See also appendix C-85. For an explanation of the terminology used in this plan, see “Part C-II: Intelligence Activities and Plans,” p. 107.

funds, National Defense Foreign Language Fellowships, private nonprofit organization grants, and general university funds. However, traditional sources of funding have been drying up, and universities have been under great pressure to seek outside private funding. Courses in these programs do not as a rule pay for themselves through enrollment and thus must be financed through other sources. Some institutions offering courses on Korea, such as Western Michigan University, have never received National Defense Education Act support and have thus been totally dependent on university or outside financing.

Grants are one common type of outside funding. American academic institutions and individual scholars receive them from a wide variety of sources, both U.S. and foreign: private individuals, nonprofit organizations, corporations, and governmental agencies. Just as varied as the sources of such grants are the purposes for which they are designated. Most donors place certain stipulations on the use of funds, usually specifying at least a broad field of study. These stipulations reflect the particular interests of the donor.

In the case of most private donors, the stipulations simply reflect an interest in a particular field of study or a decision that an area of academic pursuit would suffer without outside funding. Where the donor is a government or a semiprivate organization associated with a government, however, the grant inherently has potential political implications, even if the government does not restrict its use. Grants made directly by foreign governments, or at their behest, have an unavoidable "public relations" aspect. Through such donations, the foreign government receives recognition at home and abroad as a benefactor of academic pursuits. For many Third World nations, such recognition promotes their international prestige and domestic legitimacy. It is of particular value to the competing governments of divided nations such as Korea. In addition, the acceptance or rejection of funds from a foreign government inevitably involves a statement, explicit or implicit, about the political system within the donor nation.

Within the U.S. academic community, "academic freedom" to examine objectively any topic, free of political constraints or restrictions, is held to be of utmost importance. A grant offered by a foreign government raises a key issue: is it possible for a university to use those funds to study objectively any topic relating to the foreign country, including those which might be politically sensitive? When the donation is made at the direction of a government widely considered to be politically repressive and which deprives its own citizens of academic freedom, a university is faced with an even more difficult moral decision: Assuming that it can use the grant so as to not threaten its integrity, should it accept the grant and thereby risk implying approval of the policies of that government?

Officials at each of the universities examined by the subcommittee were aware of the potential political implications and stressed that each offer from a government or related organization was weighed individually and carefully. None of the universities had a blanket policy of rejecting all offers from governments because of potential conflicts of interest, but all took the position that if the

grant or the conditions placed on its use threatened academic integrity, it would be rejected. One Harvard University official informed the subcommittee that a grant from the military government of Greece had in fact been declined, in part due to the conditions placed on its use.<sup>13</sup> Further, officials and faculty members at each institution stressed that ultimate control over the actual disbursement of funds had and has to be entirely in the hands of the university, particularly in the case of a government donor.

With respect to offers of grants from Korean sources, university officials at each of the institutions examined by the subcommittee differed as to whether they would accept them. One university president told the subcommittee that he would oppose a grant directly from the government of either the ROK or the Philippines because of their repressive political policies, but not a grant coming from private sources within those countries.<sup>14</sup> A high administration official at another university claimed he would be willing to accept funds from either the DPRK or the ROK, providing there were no strings attached.<sup>15</sup> Some officials at the University of Washington felt that acceptance of grants from Korean sources implied approval of the ROK Government's political policies and thus conflicted with the interests of the university.

Between 1972 and 1978, Korean sources made over \$2.4 million available to American academic institutions. These donations took three forms: (1) grants from the ROK Ministry of Education for specific projects or programs; (2) an endowment from the Korean Traders Scholarship Foundation; and (3) annual grants from the same foundation, one of which was declined. There was also an offer of a grant from an operative of the KCIA. Eight specific cases are described below.

### *University of Hawaii*

The University of Hawaii first approached the ROK Government in 1969 about funds for a proposed Center for Korean Studies. Initial inquiries were made by David Steinberg, an employee of the Asia Foundation. Although Steinberg was not affiliated with the university, in 1969 he volunteered to assist university President Harlan Cleveland in fundraising for the center and wrote to a personal friend, Prime Minister Chung Il Kwon, endorsing the fundraising effort.<sup>16</sup> In a subsequent meeting between Steinberg and Chung, the subject of funding a traditional, Korean-style building to house the center was raised. Other possible types of government contributions to the center were also raised.

Only the building project was approved. This was done by Minister of Education Min Kwan Shik when President Cleveland was visiting the ROK in February 1972 for further negotiations over the type and size of the donation. The negotiations continued into the next year. Discussions were held within the university community over the location of the building.

<sup>13</sup> Staff interview with President Derek Bok, May 4, 1978.

<sup>14</sup> Staff interview with President Derek Bok, May 4, 1978.

<sup>15</sup> Dr. Wm. Theodore deBary of Columbia University in a discussion with members of the university's East Asian studies community, Apr. 27, 1977.

<sup>16</sup> Telephone interview with David Steinberg, Aug. 14, 1978.

The initial agreement between the university and the Government was for a \$436,666 building, with half the funds to come from Government sources and half from the Korean community in the United States. Groundbreaking was to coincide with the ceremony of the 70th anniversary of Korean emigration to Hawaii being planned by the Korean consulate in Honolulu for January 13, 1973. At the request of the Korean Government, Prime Minister Kim Jong Pil was invited to attend.<sup>17</sup>

At about the time of the ceremony, some faculty members questioned the propriety of receiving funds from one government of a partitioned country.<sup>18</sup> The university decided to approach the Government of the DPRK as well. Kang Kyung Koo, former education attaché at the ROK Embassy in Washington, D.C., testified that as a result of his Government's concern about trips to and solicitation of funds from the DPRK by Prof. Suh Dae Sook, director of the center, the Embassy held discussions over whether or not to terminate the university's grant.<sup>19</sup> This did not happen, and the subcommittee was not aware of any other attempt to influence the University of Hawaii through the grant to that institution. The subcommittee was also not aware that any funds were actually raised in the DPRK.

By September 1973, the estimate for construction of the center had risen to \$876,000.<sup>20</sup> The Korean Government increased its pledge to \$420,000 to help cover the increase, with the remainder to be raised in the Korean community in the United States. Actual construction was initiated in June 1974, but the project was continually plagued by rising costs through December 1975. In that year, the Government made its final payment, having contributed a total amount of \$574,667.60.<sup>21</sup> The subcommittee was not aware of any other funds donated by the ROK to the Korean studies program at the University of Hawaii.

### *Western Michigan University*

Western Michigan University is part of the Michigan State University system. Until 1972, its Korean studies program, part of the Institute of International and Area Studies, consisted of periodic courses on Korean history and society and a biannual conference on Korea, initiated in 1967. This program had been financed entirely through university funding by the State of Michigan.

In late 1971 and early 1972, several professors conceived the idea of establishing a Center for Korean Studies under which an expanded Korean studies program was to be established. The initial concept for funding the center was to solicit financial support from the Korean community in the United States. According to university officials, over \$5,000 was subsequently raised from this source.

<sup>17</sup> University of Hawaii memorandum, dated Sept. 18, 1972, of a meeting between university and consular officials on Sept. 14, 1972.

<sup>18</sup> Letter dated Jan. 29, 1973, to university President Harlan Cleveland from Prof. Allen R. Trubitt.

<sup>19</sup> "Investigation of Korean-American Relations," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 95th Cong., 2d sess., Part 5, June 1, 6, and 7, 1978 (hereinafter referred to as "KI-5"), p. 100-101.

<sup>20</sup> Draft of fundraising letter dated September 1973 and circulated over the name of Chung Dho Ahn, chairman of the fundraising committee.

<sup>21</sup> Letter dated Dec. 22, 1975, from the Consul General in Honolulu, Yoon Hee Lee, to the new university president, Fujio Matsuda.

On May 10, 1972, Andrew C. Nahm, a professor of Korean and East Asian history at the university, sent a letter to the ROK Minister of Education requesting \$18,055 for academic year 1972-73 to support the center, which had been officially established in the spring of 1972. This request was opposed at the time by other faculty members.<sup>22</sup>

There was no record of a response to this request until August 1973. In November 1972, however, Korean Ambassador Kim Dong Jo donated \$700 to the center to help finance the conference, to be held at the university on November 10-11. Kang Kyung Koo, former education attaché, testified that he personally delivered the check to Professor Nahm.<sup>23</sup>

The subcommittee received conflicting opinions from conference participants as to whether this support was acknowledged at the time of the conference. However, acknowledgement was made in the proceedings, "Korea and the New Order in East Asia," published in 1975.

In testimony before the subcommittee, Prof. Lee Jai Hyon testified that upon returning to the Embassy, Kang boasted to the Ambassador that as a result of the grant, Professor Nahm "wrote a letter to the New York Times in support of [President] Park's police state measures."<sup>24</sup> Kang testified that he had suggested that Nahm write a letter to the Times in response to an earlier letter criticizing the Yushin Constitution. Kang said that Professor Nahm was himself thinking of writing such a letter and eventually did so about a week after the conference.<sup>25</sup> In the letter, dated November 10, 1972, Professor Nahm, though expressing a desire that martial law be lifted in Korea, cited numerous justifications for the establishment of "unconstitutional" measures in Korea by President Park.<sup>26</sup> Nahm denied talking with Kang about the letter.<sup>27</sup>

The response to Professor Nahm's request of May 1972 for financial support came from ROK Ambassador Kim Dong Jo: One letter, dated August 1, 1973, went to Professor Nahm, and another, dated August 2, 1973, to the president of the university. The letters stated that the Ministry of Education had allocated \$17,500 for a grant to the Center for Korean Studies. The center received partial payment in August and the remainder in September, after submitting reports on its activities, both completed and proposed, during academic year 1973-74. These and subsequent Government donations were used to offset staff costs, sponsor guest lectures, publish proceedings of the biannual Conference on Korea, and establish a summer school program on Korean culture at the center. An analysis of the center's financial records showed that a sizable portion (about 30 percent) of the funds was spent on foreign travel by Professor Nahm and others, a fact not included in the reports to the Korean Government.

Ambassador Kim Dong Jo made another grant of \$1,000 in the fall of 1974, again to help finance the conference to be held in November of that year.

<sup>22</sup> Interview with Prof. Chang Do Young on May 2, 1978.

<sup>23</sup> KI-5, pp. 109-111.

<sup>24</sup> Op. cit., Human Rights in South Korea \* \* \*, p. 180.

<sup>25</sup> KI-5, p. 111.

<sup>26</sup> For a copy of Professor Nahm's letter to the New York Times, see appendix C-171.

<sup>27</sup> Interview with Prof. Andrew C. Nahm on May 2, 1978.

Professor Nahm made other applications for financial assistance to the Ministry of Education and received the following grants:

Academic year:	Amount	Source
1972-73 .....	\$700	Ambassador Kim Dong Jo.
1973-74 .....	17,500	Ministry of Education.
1974-75 .....	1,000	Ambassador Kim Dong Jo.
1975-76 .....	22,000	Ministry of Education.
1976-77 .....	15,000	Ministry of Education.
1977-78 .....	15,000	Ministry of Education.

University officials told the subcommittee that no conditions were placed on the use of the funds. Professor Nahm and others at the university stated, however, that Korean domestic political matters were generally avoided when considering topics for the biannual conferences.<sup>28</sup> Publications of the center did not contain any material critical of the Government. Several persons at the university told the subcommittee that participation in the biannual conferences changed over the years, including fewer individuals who had been critical of the Government. However, this change appeared to have been the result of potential participants wanting to avoid conferences using ROK funds.<sup>29</sup> The subcommittee saw no evidence that anti-Government scholars were deliberately excluded.

Documents from the university indicated that Professor Nahm was cognizant of the public relations value to Korea of grants to U.S. academic institutions. In a letter dated October 10, 1973 to Ambassador Kim Dong Jo, Professor Nahm wrote, "The Center has made a good start this year and we are looking forward next year to promoting not only Korean Studies per se but increasing the general knowledge of Korea among the American people and revising their image of Korea."<sup>30</sup>

The Korean Government also saw the public relations aspect of these grants. In 1977 Ambassador Kim Yong Shik, fearing adverse publicity in the United States over the grants, held one up that had been sent from Seoul for the center. In a letter to the president of the university dated August 31, 1977, Professor Nahm wrote—

In my conversations with the Korean officials it became apparent that the new Korean ambassador (Yong-shik Kim) to the U.S. is afraid of transmitting the money to us while the Korean lobbying scandal investigation is in progress. In other words, he does not want any more problems than he has. It became clear that he did not want to do anything to invite any new investigations on the part of the Congress or the Justice Department of the U.S. I made various efforts to see [that] some "instructions" from the home office or higher authorities in Korea to the ambassador be sent in behalf of us, but they seemed hesitant to pressure him since "he has the final decision-making power" in dealing with money matters in foreign countries.<sup>31</sup>

In the same letter, Professor Nahm noted that Augustine Choe (Choe Suh Myun), director of the Tokyo Institute for Korean Studies, was going to bring the matter up with President Park Chung

<sup>28</sup> Interviews with Prof. Andrew C. Nahm and Prof. C. I. Eugene Kim on May 2, and May 1, 1978, respectively.

<sup>29</sup> Interviews with Prof. C. I. Eugene Kim on May 1, 1978 and Prof. Chang Do Young on May 2, 1978.

<sup>30</sup> Professor Nahm's letter to Ambassador Kim is printed in appendix C-172.

<sup>31</sup> Professor Nahm's letter to President John T. Bernhard is printed in appendix C-174.

see the following month.<sup>32</sup> The center received the grant in October.

Choe interceded on behalf of the Center for Korean Studies in relation to funding on at least one other occasion. In February 1975, he financed a 7-day visit to Korea and Japan by the president of Western Michigan University. During this visit, he arranged for the president to receive an honorary degree at a Korean university and also arranged and participated in meetings between the president and high-ranking Korean Government officials. According to a report on this visit written by the president, at one such meeting Choe "argued" with the ROK Vice-Minister of Education for substantial financial support for the center.<sup>33</sup>

In March 1978, Western Michigan University established an exchange program with Chungnam University in Taejon, Korea, the result of 3 years of negotiations between the two institutions. Under this program, faculty members from each institution will spend 6 months to 1 year in residence at the other university doing research. Funds will come from the regular university budget and from Chungnam University. According to the exchange agreement, the total annual cost to Western Michigan University will be approximately \$5,500.<sup>34</sup>

### *Harvard University*

A grant of \$1 million, made by the Korean Traders Scholarship Foundation (KTSF) in June 1975 for an endowed chair at Harvard University in "Modern Korean Economy and Society," was the largest single grant ever given an American university by a Korean source. It was also the first grant from a Korean source not to come from the Ministry of Education. The foundation, controlled and financed by the Korean Traders Association (KTA) and its member corporations, provided the funds after being directed to do so, in the opinion of the subcommittee, by the highest levels of the Korean Government.

Harvard University holds a special significance in the minds of the educated Korean public and government leadership because they view it as the most prestigious university in the United States. Moreover, many Government leaders attended Harvard or participated in its programs, among them Hahm Pyong Choon, former Ambassador to the United States; Kim Jong Pil, former director of the KCIA and Prime Minister; and Chung Il Kwon, former Ambassador to the United States, Prime Minister, and, as of 1978, Speaker of the National Assembly.

In Korea, Harvard's name is also identified with Professors Edwin O. Reischauer and Jerome Cohen, two outspoken critics of the Yushin political system and other authoritarian policies of resident Park Chung Hee. Following the kidnaping of Kim Dae Jung from Tokyo in August 1973,<sup>35</sup> they and other professors at Harvard actively sought, through the Department of State, to have him released in order that he be allowed to take a fellowship previously offered by Harvard.<sup>36</sup> Further, in August 1974, citing

<sup>32</sup> Appendix C-174.

<sup>33</sup> This report is printed (in part) in appendix C-173.

<sup>34</sup> Interviews with President John T. Bernhard and Prof. Andrew Nahm on May 2, 1978.

<sup>35</sup> See "Part B: Review of Korean-American Relations," p. 42

<sup>36</sup> KI-5, p. 49.

Korean Government repression of civil liberties and press freedom, Harvard's Nieman Foundation for Journalism indefinitely suspended Korea's 12-year participation in the foundation's program for training foreign journalists.<sup>37</sup>

Harvard fundraisers had to deal with the Korean Government's suspicion of Harvard that resulted from the criticism by prominent Harvard faculty members. Harvard officials were aware of this early in the fund drive that began in the early 1970's. T. J. Coolidge, Jr., later to head the fundraising efforts of the Harvard Council on East Asian Studies, and Professor Cohen expressed such awareness in letters to Marshall Pihl, a Harvard lecturer, who had been responsible for drawing up the initial fundraising proposals for Korean studies at Harvard. Pihl had arranged an informal dinner in March 1974 for Hahm Pyong Choon, the newly appointed Korean Ambassador to the United States and an alumnus of the Harvard Law School. Pihl saw the occasion as a "remarkable opportunity to discuss the future of Korean studies at Harvard \* \* \* with a man in good communication with the top."<sup>38</sup> Subsequent to that dinner, Coolidge and Cohen wrote Pihl in response to his request for their assessment of the Ambassador's comments about the prospects of raising funds in Korea for Korean studies at Harvard.

In his letter, dated April 3, 1974, Coolidge said:

The Korean Government will certainly be somewhat of a problem because they are quite sensitive about some of Harvard's publicized stands on such matters as Kim Dae Jung \* \* \* I think they are liable to push pretty hard to inject one of their own people or some of their ideas. Without making an issue of any of the issues, so to speak, I think we should work up something specific that Ambassador Hahm can bring back as a trophy or inducement.

Cohen commented on April 29, 1974:

My perception of Ambassador Hahm's interest in helping us raise funds is a good deal less sanguine than yours. He has been explicitly negative on two occasions in private talks, and the subsequent activity of EOR<sup>39</sup> and myself makes any official enthusiasm even less likely. Surely, the last thing the Korean Government seems to want is any independent, informed scholar on Korean politics and law at Harvard. This attitude will affect our chances with the business community as well as government. In any event, we should make no special concessions to potential Korean donors but should treat them as we do others—i.e., make it clear that no strings can be attached.

Although Harvard had begun a general campaign to raise funds for East Asian studies in 1972, in June 1974 the Council on East Asian Studies, headed by Prof. John K. Fairbank, was established. Direct contacts with Koreans were made exclusively by Coolidge, in charge of the council's fundraising efforts. Working out the terms and conditions of the grant was to be the responsibility of the senior faculty, with Coolidge serving as intermediary.

Coolidge made his first contacts in Korea and three other Asian countries while on a business trip in September 1974. On this Asian trip, he first went to Korea for a few days where he discussed Harvard's fundraising campaign with business associates in Seoul. After a 2-week trip to several other Asian nations, Coolidge returned to Seoul and met with a Blue House official to brief him

<sup>37</sup> A copy of the letter suspending Korea's participation in the Nieman Foundation is printed in appendix C-175.

<sup>38</sup> Letter dated Feb. 6, 1974 from Marshall Pihl to T. J. Coolidge, Jr.

<sup>39</sup> Edwin O. Reischauer.

in Harvard's fundraising plans. Coolidge could not recall whether, during this Blue House meeting, there was any mention of the Korean Traders Association's role in fundraising efforts for Harvard.<sup>40</sup>

Several days later, on October 7, Coolidge met again with Blue House officials and received a commitment from Kim Chong Yom, Chief of the Blue House Secretariat,<sup>41</sup> that the ROK Government had decided to approve a grant to Harvard of approximately \$1 million. In a memorandum of this meeting, dated October 8, 1974, Coolidge noted that Kim told him "the money would come from private Korean companies via the Korean Traders Association." Kim stated that "the money would have to be restricted to a professorship concerning the Korean economy" because the money would be contributed by Korean businessmen. Coolidge told Kim that he "was particularly glad the KTA was selected" as the medium for funds to be given to Harvard because its president, Park Choong Hoon, was a personal friend.<sup>42</sup>

Because Government permission was required for sending large amounts of currency out of Korea, some Harvard University officials surmised that this Blue House meeting was held to seek approval for the currency transaction involved in the grant to Harvard. However, when questioned by subcommittee staff, Coolidge could not remember whether there had been any discussion at the meeting about foreign exchange matters.<sup>43</sup>

Coolidge could not recall whether he had been told prior to the October 7 meeting that the KTA wished to contribute \$1 million to Harvard. The memorandum of this meeting is the earliest mention in Harvard documents of any KTA role in the grant. Further, there were no KTA representatives present at either of the Blue House meetings. Coolidge told subcommittee staff that he was unaware how the KTA was designated to be the donor because contact with Korean business leaders was handled by his business associate, Kim Woo Choong, president of Dae Woo Industries Co. Coolidge did not discuss the proposed grant with KTA officials prior to departing from Seoul on October 9, 1974.<sup>44</sup> Based upon this information relating to Coolidge's two meetings with Blue House officials, the memorandum of October 8, and other KTA funding patterns observed by the subcommittee in which the KTA acted at the direction of the ROK Government, the subcommittee concluded that the ROK Government directed the KTA to contribute \$1 million to Harvard University.<sup>45</sup>

<sup>40</sup> Interview with T. J. Coolidge on Sept. 28, 1978.

<sup>41</sup> The Chief of the Blue House Secretariat is one of the most powerful individuals in the Korean Government. This position was held by Lee Hu Rak from 1963-69 and by Kim Chong Yom since 1969.

<sup>42</sup> T. J. Coolidge's memorandum of this meeting is printed in appendix C-176.

<sup>43</sup> Interview with T. J. Coolidge on Sept. 28, 1978.

<sup>44</sup> *Ibid.*

<sup>45</sup> The subcommittee believed that the documents provided by Harvard University, while not definitive, supported this conclusion. Harvard University felt that the documents did not contradict its interpretation of how the KTA came to donate the \$1 million. (See appendix, C-181 for a letter outlining Harvard University's conclusions.)

When the Harvard documents and interviews with Harvard officials were considered in light of other findings of the subcommittee unknown to Harvard; namely: (1) that the ROK Government as early as 1971 had used Korean businessmen and corporations to covertly finance a research institute in the United States (see p. 290), (2) that the KCIA had transferred responsibility for funding this research institute to the KTA in late 1975 (see pp. 290-291) and, (3) that the ROK Government in mid-1977 had directed the KTA to contribute funds to Columbia University (see p. 277), the subcommittee's conclusion regarding the Harvard grant was strengthened.

The following week, on October 15, the Harvard Council decided that "although the Governments of Taiwan and South Korea might be inclined to give substantial gifts to Harvard in order to generate favorable publicity within the United States, the council must carefully avoid any action in that direction." One of the council's concerns was that "faculty and student reaction to gifts from the Governments of South Korea and Taiwan could be severe, including perhaps a faculty vote to reject the gifts."<sup>46</sup> Harvard officials told the subcommittee that the council was also concerned about accepting money from Taiwan at a time when contacts were being made with the People's Republic of China.

At a council meeting 2 days later, Coolidge reported on his trip to Korea and the grant from the KTA. Based on this report, it was decided that a proposal would be drafted and submitted to the KTA.

On October 29, the council adopted the general principle that "no gifts will be sought from the governments of divided countries" and that if "such gifts are offered from these sources, the immediate response will be to work toward private gifts to Harvard instead."<sup>47</sup>

As noted above, the Korean Government wanted to restrict the use of the grant to the study of the Korean economy. Coolidge had told Kim Chong Yom that he would have to discuss the restriction with Harvard officials. Harvard refused to limit the use of the grant to the study of the Korean economy, however, and wanted to broaden its use to include the study of modern Korean economy and society. Harvard officials felt it would be difficult to find qualified candidates for a position in Korean economics and that a broader field of study would better fit with other programs in East Asian studies than would a focus on economics alone.

Over the next 6 months there were discussions and correspondence between the KTA and Harvard to determine the exact purpose for which the Korean money could be used. Ultimately, the KTA accepted Harvard's position, and it was decided that the chair would be in Modern Korean Economy and Society.

In addition to wanting to limit the use of the grant to a study of the Korean economy, the ROK Government also was concerned about possible use of the money by professors critical of the Park Chung Hee regime. This concern was conveyed to Harvard officials on several occasions during the course of discussions over the grant.

Minister Yang Yoonsae from the ROK Embassy in Washington D.C. expressed these concerns directly to Prof. John Fairbank during Yang's trip to Harvard in February 1975. Fairbank informed the subcommittee that he told Yang that Harvard professors do not use the classroom as a forum to express their political opinions and that Harvard appoints professors on the basis of scholarship, not politics.<sup>48</sup>

Professor Fairbank addressed the subject of criticism of the ROK Government by American professors in a subsequent letter to Yang.

<sup>46</sup> Minutes of a Harvard Council meeting of Oct. 15, 1974.

<sup>47</sup> A partial copy of the minutes of a council meeting on Oct. 29, 1974, appears in appendix C-177.

<sup>48</sup> Telephone conversation with Prof. John Fairbank on Sept. 26, 1978.

ated February 26, 1975. He expressed his opinion that the issue of such criticism would "become less important as scholarship develops, along with greater public understanding of cultural differences and practical problems in our respective countries."<sup>49</sup> In testimony before the subcommittee, Kang Kyung Koo, the ROK Embassy Education Attaché who accompanied Yang to Harvard, stated that Kang's concern over criticism by Professors Reischauer and Cohen as shared by various embassy officials.<sup>50</sup>

This concern was also expressed in a March 12, 1975 article about the grant in the Joong-Ang Ilbo, a Korean daily newspaper. The article stated that one objective of the grant to Harvard was to promote counter-active efforts against those who spearhead anti-Korean Government moves like Reischauer and Cohen, thereby to engender a pro-Korean atmosphere at Harvard and in other American academic circles.<sup>51</sup>

The KTA also expressed the fear that the holder of the proposed fair might make statements critical of the Korean Government.

T. J. Coolidge conveyed these concerns in a letter to Professor Fairbank dated April 11, 1975. He said that P. J. Koh, secretary general of the Korean Traders Scholarship Foundation, the donor record, wanted to know what could be done about "the eventuality that a faculty member supported by Korean funds might make unwarranted critical remarks of the Korean Government."<sup>52</sup> Professor Fairbank replied to Coolidge on April 22, 1975, that Harvard professors are appointed to the Harvard faculty on the basis of their scholarship and are entitled to have their own political views. He reassured Koh, however, that it was "most irregular" for a professor to use his position for political purposes.<sup>53</sup>

The grant to Harvard was the Korean Traders Scholarship Foundation's first foreign grant. Prior to 1975, it had donated funds only to academic institutions within Korea.<sup>54</sup>

The first portion of the grant was delivered by P. J. Koh in June 1975 at a ceremony at Harvard. At the ceremony, Harvard was

\* Professor Fairbank's letter to Minister Yang Yoonsae is printed in appendix, C-178.

<sup>49</sup> KI-5, p. 105.

<sup>50</sup> SIO-1, p. 108.

<sup>51</sup> T. J. Coolidge's letter to Professor Fairbank is printed in appendix C-179.

<sup>52</sup> Professor Fairbank's letter to T. J. Collidge, Jr. is printed in appendix C-180.

<sup>53</sup> KI-5, p. 104. The KTSF actually provided only \$520,000 of its own funds. Twelve Korean corporations were asked to contribute \$40,000 each to make up the remainder. The 12 corporations, many of which figured in other areas of the subcommittee's investigation, are listed below with corresponding page numbers where they appear in this report or in hearings conducted by the subcommittee.

Corporation	Representative	Pages
Dae Woo Industries Co .....	Kim Woo Choong .....	84
Han Il Synthetic Fiber .....	Kim Han Soo .....	
Union Steel Co .....	Kwon Chul Hyun .....	KI-1, p. 11
Dong Kook Steel Co .....	Chang Sang Tai .....	
Sam Sung Mulsan .....	Lee Byung Chul .....	233
Han Jin Corp .....	Cho Choong Hoon .....	
Korea Explosives .....	Kim Chong Hee .....	251, 284
Daihan Nongsan .....	Park Yong Hak .....	236, 249
Hyundai Construction .....	Chung Ju Yung .....	
Sunkyoong Fiber .....	Choi Moo Hyun .....	236; KI-7
Won Poong Industrial Co .....	Lee Sang Soon .....	
Chun Bang Textile Co .....	Kim Young Joo .....	

concerned that it be fully understood that the grant came from private Korean sources. According to the minutes of a council meeting on June 6, 1975, Harvard was concerned with "intention or unintentional alteration of Harvard's stated position in receiving this gift." For the same reason, Harvard insisted that KTA public relations firm, Hill and Knowlton, Inc., not make any public statements about the grant without clearing them with the university.

There had been statements in the U.S. press that then-Ambassador to Chile, Han Byung Ki, played a role in the negotiations.<sup>55</sup> The subcommittee was told by a former high-ranking official in the ROK Consulate in New York that Han made several trips to the Boston area about the grant. However, the subcommittee was unable to obtain further information on this allegation. Han himself denied any role in a letter to the editor of the *New York Times* published on December 30, 1976.

In seeking a professor to hold the chair financed by the KTS, Harvard has interpreted "modern Korean economy and society" to include the fields of economics, sociology, anthropology, history, government, and East Asian languages and cultures. As of October 1978, the chair had not been filled. Thus far, the grant has been used to finance instruction in Korean anthropology, student fellowships, and a lecture series. The subcommittee saw no evidence that political considerations were used to include or exclude individuals from benefiting from the grant.

### *Columbia University*

Columbia's attempts to raise funds in Korea were part of a larger fundraising effort for East Asian studies at the university. In September 1975, the Ford Foundation had offered Columbia a grant of \$600,000, which required that Columbia raise \$1,800,000 from other sources.<sup>56</sup>

Columbia's first effort to raise funds in Korea was in response to an offer of help from Min Kwan Shik, former Minister of Education. Min had stayed briefly at Columbia in the fall of 1975. On his departure, he suggested to Prof. Gari Ledyard of the Department of East Asian Languages and Culture that if Columbia needed funds to support Korean studies, he would do what he could to help. Professor Ledyard said there was a need for funds and that he would contact Min after consulting with the university.

After consultation with the Korean Studies Committee, Ledyard wrote a long letter to Min thanking him for his interest, outlining a comprehensive program for strengthening Korean studies at Columbia, and estimating that the proposed program would cost about \$3.3 million. About a month later Min answered, saying that the cost estimate was very high, but he would try to help. This was the last heard from Min on the subject.<sup>57</sup>

In the fall of 1976, Dr. Wm. Theodore deBary, executive vice president for academic affairs and provost and professor of orient studies, was asked to participate in the drive because of his proven fundraising abilities and his knowledge of and contacts in East

<sup>55</sup> See a Dec. 16, 1976, article in the *New York Times* entitled "Koreans Linked to Bid to 'U.S. Education.'"

<sup>56</sup> Staff interview with Dr. Wm. Theodore deBary on May 11, 1978.

<sup>57</sup> Staff interview with Dr. Gari Ledyard on May 11, 1978.

sia. From this time, fundraising in Korea was primarily Dr. deBary's responsibility.

In November 1976, in the midst of widespread publicity about the Korean scandal, Prof. Kim Wan Hee of the Columbia University electrical engineering department took to Seoul virtually the same proposal that had earlier been sent to Min. Professor Kim informed Dr. deBary that he had presented Columbia's ideas directly to President Park Chung Hee. He reported that the ROK Government was watching developments in the United States closely because of the bad publicity and uncertainty over the coming Carter administration. He also said he would contact high Government officials and expected that meaningful discussions of Columbia's goals could begin by early spring 1977.

In February 1977, the president of Seoul National University (SNU) invited Dr. deBary to Korea to deliver a lecture on Confucianism and participate in discussions with university professors in late March or early April. Dr. deBary saw this as an opportunity to renew and broaden contacts with Korean scholars in his discipline as well as an opportunity to make contacts useful for Columbia's fundraising drive. Before going, Dr. deBary discussed the advisability of raising funds in Korea with his colleagues, who agreed with the idea in general.

Dr. deBary declined the offer of Seoul National University to pay for his trip. He did not attempt to keep the trip secret, nor did he seek publicity. Columbia sent Professor Kim to Seoul in advance to help arrange deBary's schedule.

While in Korea, Dr. deBary discussed with SNU officials the possibility of establishing an academic exchange program with Columbia. He also called on Park Choong Hoon, chairman of the Korean Traders Association, and Hwang San-Duk, Minister of Education, to discuss Columbia's fundraising drive. They made no concrete responses. He also accepted an invitation from President Park Chung Hee to discuss neo-Confucianism. At the Blue House, deBary mentioned the fundraising drive to the President, but they did not discuss the matter. A picture of President Park talking with Dr. deBary was widely featured in the Korean press.

Upon his return to Columbia, Dr. deBary discussed the results of his trip with the others involved in the fundraising campaign, and they developed a more modest proposal for \$1.5 million.<sup>58</sup>

A certain amount of controversy arose within the Columbia East Asia studies community as a result of deBary's trip. Four Korean students at Columbia, apparently fearing reprisals at home if their identities became known, wrote an anonymous letter to the Columbia Spectator on April 14, 1977, criticizing the trip and especially the meeting with President Park. On April 25, 24 members of the East Asian studies community, including two faculty members, signed a letter to the Spectator supporting the four Korean students and asserting that any grant from the ROK Government would necessarily have a political aspect. They did not say that Columbia should not take government money, but rather urged two things. First, the university should be certain to retain control over program priorities—especially any exchange program—in order to be

<sup>58</sup> Above description of Dr. deBary's activities is based on a staff interview with him on May 11, 1978.

sure that a grant would not be exploited for political purposes. Second, the university should demonstrate that acceptance of such money did not mean that it also accepted "the repressive behavior of the South Korean Government." They urged that these issues be given "the full attention of the university community" before any offers were accepted.

Dr. deBary responded in a letter to the *Spectator* on April 14, 1977. He explained that after consulting with his colleagues, he had taken advantage of the trip to Korea to further the East Asia studies fund drive by talking "while in Seoul with educational officials, business leaders, and Columbia alumni about our hope for the development of Korean studies." Regarding his meeting with President Park, he wrote, "There was no time for current politics, no occasion for either of us to coopt the other."

Dr. deBary later met with concerned students to discuss his trip. He told the students that he was aware of the possible publicity uses by the ROK of his trip but that he had felt he could avoid any problems in this respect. In response to a question, he said that Prof. Kim Wan Hee's role had been to assist with travel arrangements and appointments. He noted that he was planning to return to Asia, having been invited to speak at a conference of scholars in Japan in late May and early June, and would probably visit Korea again at that time.<sup>59</sup>

Sometime after Dr. deBary's first trip to Korea and possibly before the second, Professor Ledyard individually and informally asked about 10 of the graduate students in Korean studies how they felt in general about the university approaching Korean sources for funding. Only two opposed the idea.<sup>60</sup> Nevertheless, it was clear that at least some felt there was a need to proceed very carefully because they had been among those who signed the April 25 letter to the *Spectator*. Furthermore, a number of students and some faculty members in East Asian studies have expressed resentment over the secrecy with which the negotiations were conducted.

In late May, Dr. deBary took the new \$1.5 million proposal to Korea. Once again, Professor Kim went to Seoul to give some assistance. DeBary did not meet with Korean Traders Association officials, but did meet again with the Minister of Education, Hwang San-Duk. Hwang was enthusiastic, but made no promises. While deBary was in Seoul, an article incorrectly asserting that the ROK Government had offered Columbia \$1.5 million appeared in the *New York Daily News* and was picked up by the Korean press. DeBary felt he was in an awkward position because it appeared he was trying to manipulate the Government into making the grant.

Back at Columbia, Dr. deBary heard nothing officially for some time but was informed that the Government, uncertain about how to proceed, was considering having a separate foundation make contributions to foreign universities.<sup>61</sup> In a letter to deBary dated July 30, 1977, Minister Hwang referred to their discussions in June "about how to assist the program and activities in the field of Korean studies at Columbia University and about the share to be

<sup>59</sup> Contemporary memorandum of this April 27, 1977, meeting in the subcommittee's possession, written by a student participant.

<sup>60</sup> Staff interview with Prof. Gari Ledyard on Sept. 21, 1978.

<sup>61</sup> Staff interview with Dr. deBary on May 11, 1978.

aken by the Korean Government in creating the fund for Korean studies." He went on to say:

Concerning this matter, I would like to inform you that we are now examining a new plan to let one of the non-governmental foundations presently providing financial aid to higher educational institutions or research organizations for their research programs help the Korean studies at your university, considering the current state of things in your country and the prevailing atmosphere among the faculty members concerned at your university. Such non-governmental foundations will help annually Columbia and other institutions in and out of the United States with the expenses needed in the year for the furtherance of the Korean studies.<sup>62</sup>

On August 18, Minister Hwang wrote again to say that a decision had been made

to lead the Korean Traders Scholarship Foundation, a non-governmental foundation presently providing financial aid to educational institutions or research organizations, to take charge of all the tasks assisting Korean studies abroad. The said foundation will not help create an endowment for Korean studies in principle, but will provide financial assistance annually as I wrote in my last letter. Thus it is regretted that we cannot proceed according to the program of granting U.S. \$100,000 for an endowment.<sup>63</sup>

He explained that instead there would be annual grants of approximately \$18,000 for 1977, \$36,000 for 1978, and \$54,000 for 1979. If Dr. deBary accepted the plan, he was to apply through P. J. Koh, the secretary general of the Korean Traders Scholarship Foundation.

Minister Hwang's letters made it clear that the KTSF had been designated by the ROK Government to make the grant to Columbia and implied that the decision to use a private foundation was made to avoid some of the controversy which might attend a Government grant. However, whether the money came from a private Korean source or the Government did not become a major issue at Columbia. According to Dr. deBary, Columbia's position was that as long as the university was free to use the money for its own goals without strings, it did not matter who the source was.<sup>64</sup>

On September 6, 1977, before receiving any communications from deBary, P. J. Koh wrote to inform deBary that he would arrive in New York on September 20 to discuss the KTSF assistance program. When Koh met in New York with Dr. deBary and Columbia resident, William McGill, Columbia took the position that the annual grant was not adequate for the development of Korean studies and urged that there also be a grant of \$250,000 to improve the library and study facilities for Korean studies. In a letter to Minister Hwang of August 8, deBary had pointed out that the library project "will be of undeniable and enduring cultural value. It is noncontroversial, and cannot be misrepresented by those who seek to discredit the generous intentions of your government."<sup>65</sup> In a cable of August 22 to Prof. Koh Byong-ik of SNU, Dr. deBary had described the importance of this larger grant.

It is essential to have proper home for new activities and make decent public impression on launching a program. In view of publicity which has surrounded this project it is important that initial announcement include some bold positive step like the creation of the new facility, otherwise the impression may be given that we

<sup>62</sup> Minister Hwang's letter to Dr. deBary is printed in appendix, C-182.

<sup>63</sup> Minister Hwang's letter to Dr. deBary is printed in appendix C-184.

<sup>64</sup> Interview with Dr. Wm. Theodore deBary on May 11, 1978.

<sup>65</sup> Dr. deBary's letter to Minister Hwang appears in appendix C-183.

are off to a small and uncertain start or that we have backed off in the face of criticism.<sup>66</sup>

After the September 20 meeting, Columbia submitted proposals to the KTSF for two grants: \$18,000 for strengthening Korean studies and \$250,000 for the Korean library and study center. On November 29, P. J. Koh sent two letters to Dr. deBary informing him that the KTSF had approved both proposals. The grants were announced during the last week of the first semester in a general notice about the success of the East Asian fundraising drive. The timing of this announcement was natural since the university itself did not receive notice until the first week in December. Nevertheless, an editorial in the *Columbia Daily Spectator* of January 24, 1978, accused the administration of making the announcement at this time in order to leave no time for reaction by faculty and students. Reiterating a point made previously by the *Spectator*, the editorial asserted that this was a controversial grant which had not received the full and open discussion it warranted. The university administration has maintained that such discussion took place.

Dr. deBary, with a long-standing interest in academic exchanges, had discussed the possibility of an exchange program with SNU officials on his first trip to Korea. Some time after his second trip, Columbia prepared a draft agreement for an SNU-Columbia program. It provided that SNU supply an unspecified amount of funding, with matching funds from Columbia. The money would be used to support a broad Korean studies program including an exchange of faculty members. Apparently because SNU was to provide funds, the draft also provided that "the chief academic officer of Columbia University shall report annually to Seoul National University on the programs and expenditures for that year and on the proposed programs and expenditures for the following year," but did not provide that SNU make an annual report. After the meeting in September 1977 between deBary, university president William McGill, and P. J. Koh, this draft was revised and sent to SNU. The provision calling for SNU to supply funds had been amended to provide that funds were to be sought from "appropriate governmental and private sources." Columbia was to apply to American foundations as well as to the KTSF. The provision calling for an annual report by Columbia's chief academic officer for SNU was not changed.

The ensuing negotiations over the final draft were conducted by Prof. Gari Ledyard for Columbia and Prof. Koh Byong-ik for SNU. Several months earlier, Professor Ledyard had expressed concern about possible problems with an exchange program. In an interview with the *Columbia Daily Spectator* Ledyard said, "An exchange program is a potentially dangerous thing. You can get valid people in an exchange program. On the other hand there are many people who, related to the government, might use the program for political purposes."<sup>67</sup> Ledyard's own view was that Columbia did not need academic exchanges to develop its Korean studies program.

<sup>66</sup> Dr. deBary's cable to Professor Koh is printed in appendix C-185.

<sup>67</sup> Interview with the *Columbia Daily Spectator*, Aug. 5, 1977, cited in a *Daily Spectator* article of Oct. 13, 1977.

Within the Columbia faculty, the view was expressed that the conditions of the exchange program, especially the provision for an annual report from Columbia to SNU on all aspects of the Korean studies program, would give the Korean side a kind of control which it had not been able to get at Harvard. The new Korean practice of giving annual grants instead of endowments was also seen as a way to retain more control. Later, there was some faculty concern that SNU intended to exercise influence over Columbia's internal academic affairs by insisting that the proposed advisory committees at Columbia and SNU have jurisdiction over the whole program rather than just the exchange program.

In a letter of December 10, 1977, to Professor Koh, Professor Ledyard sought to change the provision for annual reporting to read:

The chief academic officers of Columbia University and *Seoul National University* shall issue annual reports on their activities in connection with the exchange program; these reports shall cover the year completed and the program planned for the following year. (Italics added.)<sup>68</sup>

Ledyard said that the prior provision calling for reporting only by Columbia seemed to come from the period when it was thought that SNU would provide funds. He preferred mutual reporting because it would relate to the program actually planned and would recognize the fundamental equality of the two universities.

In his reply, Koh did not oppose mutual reporting. However, he did state that it was SNU's position that the proposed advisory committees should be given jurisdiction over the whole program instead of just the exchange program. He argued, "'Exchange' is undeniably an important activity but it is, as we see the nature of the program, only part of, or a component activity of the whole program." Koh added that adoption of his suggestion would make it unnecessary to restrict the provision on mutual reporting to the exchange program.<sup>69</sup>

In his response, Ledyard urged Koh to accept Columbia's position restricting the scope of the jurisdiction of the advisory committees and of the annual reporting. He stressed that activities other than the exchange program were part of Columbia's ongoing Korean program and would continue with or without the exchange program. They were "independent activities of Columbia University and must be administered wholly by Columbia University. \* \* \* I am sure you will understand that Columbia's academic program must be independent of any outside control."<sup>70</sup>

In the end, Professor Ledyard's arguments prevailed. The final agreement, which was signed by the presidents of the two universities in May 1978 and announced in the *University Record* in September 1978, made it clear that the only part of the Columbia Korean studies program over which SNU had any control was the faculty exchange program.

### *University of California at Berkeley*

The East Asia Center at the University of California, Berkeley, was funded in large part by the Ford Foundation until 1976, at

<sup>68</sup> Professor Ledyard's letter to Professor Koh and an enclosure are printed in appendixes C-86 and C-187.

<sup>69</sup> Professor Koh Byong-ik's reply, dated Jan. 27, 1978, is printed in appendix C-188.

<sup>70</sup> Professor Ledyard's letter, dated Feb. 21, 1978, is printed in appendix C-189.

which time the foundation awarded a final grant, contingent upon matching funds being raised elsewhere. The university's approaches to Korean sources were part of a larger fundraising effort to raise these matching funds, spurred in part by the grant to Harvard University the year before.

Prof. Robert Scalapino conducted all negotiations for Korean funds. University officials told the subcommittee that all initial contacts in Korea he made were with university alumni and representatives of the KTA. Professor Scalapino told the subcommittee that officials of the Korean Government were not involved at any point in the negotiations for the grant to Berkeley.<sup>71</sup>

Despite not having discussed the university's fundraising efforts with any Government official on a visit to Korea in the summer of 1976, Professor Scalapino himself received an unsolicited offer of \$5,000 for research from the Korean Vice Minister of Education Cho Sung Ok. He rejected this offer.

Although the university had requested an endowment of \$1 million, the eventual grant from the Korean Traders Scholarship Foundation was for \$75,000 over 3 years, conditional upon a written proposal for its use and annual reports on programs funded. Several faculty members told the subcommittee that this amount represented interest on a much larger sum which would be granted to the university after the 3 years, on the assumption that the donor was satisfied with the use to which the university had put the initial grant. It was the understanding of several of these faculty members that the university did not receive the endowment in 1977 because of the adverse publicity such donations were receiving in the United States as a result of the Korean scandal.

Thus far, the university has used the grant to fund a symposium on Korean-American economic relations, language instruction, acquisition of library materials and planning for an upcoming conference on Korean legal institutions to be held in the spring of 1979. Korean Government officials participated in the symposium on economic relations.

The subcommittee was told that neither the ROK Government nor the KTA suggested the projects to be funded by the grant. One faculty member involved in the symposium informed the subcommittee that it was Berkeley's understanding that topics involving Korean politics were to be avoided.<sup>72</sup>

#### *University of Washington*

The University of Washington in Seattle is part of the State university system and is funded primarily through appropriation from the State legislature. The Korean studies program at the University of Washington has been one of the largest programs in the United States for the past decade. Until the summer of 1976, the university made no effort to secure funding from Korean sources, relying instead on funds from the legislature and the Federal Government under the National Defense Education Act.

During the summer of 1976, Prof. George Beckmann, dean of arts and sciences, went to Korea to discuss an academic conference with officials of Korea University. While in Korea, he also discusse

<sup>71</sup> Interview with Prof. Robert Scalapino, May 24, 1978.

<sup>72</sup> Confidential staff interview, May 24, 1978.

finding for the university's Korean studies program with Korean professors and one Government official, Blue House adviser Kim Kyung Won. The following fall, a Korean consular official from San Francisco offered to provide financial assistance to the university from the Korean Government. Professor Beckmann turned down this offer because he felt that faculty opinion was against accepting money from the ROK.<sup>73</sup>

When the issue was raised concerning outside funding for continuing a position in Korean literature in the spring of 1977, Professor Beckmann suggested Dr. Robert Garfias, vice provost for faculty development, write the Korean Consulate in San Francisco and Dr. Kim Kyung Won, the Blue House advisor with whom Beckmann had spoken the year before. Garfias' subsequent letters asked for the assistance of the Korean Government in "helping us select a senior professor from Korea in Korean Languages and Literature, or some related field" and further suggested that this professor be "selected and appointed through \* \* \* [the Blue House], or through the Ministry of Education."<sup>74</sup> Dr. Garfias told the subcommittee that he asked for the assistance of the Korean Government in selecting a professor because it would be providing funds for the position.<sup>75</sup> University President John Hogness told the subcommittee that he saw copies of Garfias' two letters a month after they were written. He stated that asking for Korean Government assistance in appointing a university faculty member went against university policy on solicitation of financial support. He was troubled by the matter, but told the subcommittee that no letter of correction was sent to the Korean Government.<sup>76</sup>

P. J. Koh, secretary general of the Korean Traders Scholarship Foundation, personally traveled to the University of Washington on September 12, 1977 to convey his foundation's response to Dr. Garfias' letter. He arrived on campus before the letter announcing his visit, and few faculty and administration officials were available to meet with him. Koh, misunderstanding, felt he was being glib.

Koh's response to the university's request for financial assistance was a written offer of \$20,000 to support the Korean studies program for 1 year, an offer which Dr. Suh Doo Soo, retired professor of Korean literature, agreed to convey to university administration officials.<sup>77</sup> It was the understanding of the few faculty members who met with Koh that the grant would be \$20,000 each year for a period of 3 years.

While in Seattle, Koh also met with a group of students and members of the Korean community in the Seattle area who had come together to secure continued funding for a position at the university in Korean literature, a position formerly held by Prof. Suh Doo Soo.

The KTSF offer of assistance was rejected by President John Hogness in a letter to Koh, dated October 3. The reason was principally the adverse publicity created in the university commu-

Interview with Prof. George Beckmann, May 23, 1978.

Dr. Robert Garfias' two letters appear in appendixes C-190 and C-191.

Interview with Dr. Robert Garfias, May 22, 1978.

Interview with President John Hogness, May 23, 1978.

P. J. Koh's letter offering the University of Washington \$20,000, and an application form for a KTSF grant, appear in appendix, C-192.

nity by publication in the university newspaper of excerpts of or of 'Dr. Garfias' letters.<sup>78</sup>

As of October 19, Koh had not received President Hogness' letter. He had, however, received copies of newspaper articles which criticized the university for asking his Government for assistance in appointing a university faculty member and urged the university to decline any offers from Korean sources.

On October 19, the Foreign Area Committee of the Korean Traders Scholarship Foundation met and established August 8, 1978 as the deadline by which the university would have to respond to the offer.

That same day, October 19, Koh expressed his displeasure over the treatment he had received in Seattle to Washington's Governor Dixie Lee Ray during her visit to Korea to promote trade between the State and the ROK. According to Koh, Governor Ray was "shocked" at Koh's story, apologized on behalf of the university and noted her intention to look into the matter.

Koh first learned of the university's decision not to accept the funds the following day, October 20, when he received news from New York that an article in the Columbia University Daily Spectator stated, "Ten days ago, the UW administration turned down an offer of \$60,000 financial assistance from the KTA for its graduate studies in Korean languages."<sup>79</sup>

On returning to Washington, Governor Ray met with Professor Suh and the committee of students and Korean community representatives. They expressed their interest in funding for the literature position, if necessary through money from Korean sources. Ray later called university president Hogness and urged him to meet with Professor Suh and the committee members. Two faculty members told the subcommittee that Ray also expressed her concern that the university's refusal to accept the funds might be detrimental to trade relations between the state and the ROK.

In a staff interview Hogness said that he met with the committee on April 25, 1978. He told them that continued state funding for the position in Korean literature would not be forthcoming, but that the university was still seeking outside funds. Further, the university would look into making another proposal to the Korean Traders Scholarship Foundation.

A week later in a letter dated May 4, Hogness wrote the Governor that the university had " \* \* \* initiated new discussion with the university regarding the possibility of additional outside support for this program including support from Korean sources.

However, university officials told the subcommittee that there were no current negotiations in progress between the University of Washington and Korean sources and that no new proposals had been submitted to the foundation.

<sup>78</sup> Interview with President John Hogness, May 23, 1978.

<sup>79</sup> The above description of P. J. Koh's activities and views is based on his letter to Prof. S. Doo Soo, dated Oct. 20, 1977.

<sup>80</sup> An aide to Gov. Dixie Lee Ray, Paul Bender, told the subcommittee on Oct. 9, 1978 that he was unable to confirm this statement by Governor Ray, but said the ROK "is one of the State's best trading partners and we wouldn't want anything to upset this trade."

*American University*

American University, a private liberal arts university in Washington, D.C., has long had an international studies program but offered few courses on Korea. In the fall of 1975, the vice president for faculty development, William Ahlstrom, approached Hancho Kim, a trustee of the university, to ask if he would contribute financially to the international studies program. Kim responded favorably. Shortly thereafter, Ahlstrom arranged a meeting between Kim and Nathaniel Preston, the vice president for academic affairs.<sup>81</sup> At the meeting on October 2 Preston got the impression that Kim was willing to contribute an unspecified, but modest amount.<sup>82</sup>

Based on this understanding, a rough proposal was drafted requesting an unspecified amount of funds to finance administrative costs for a modest program to increase recruitment of foreign students and to expand the English language program for them. This proposal was submitted to Hancho Kim late in October. Preston told the subcommittee that after reviewing it, Kim criticized the proposal and noted that he wanted the focus of the proposal to be student exchanges with Korea and Korean studies. Preston in turn argued that the grant be used to fund a program with a wider international focus. Preston felt he had convinced Kim, and the university began working on a revised proposal for approximately \$5,000 to finance an expanded international studies program.

During the course of negotiations, Kim invited Preston to dinner several times. On one occasion at Kim's home, Preston was shown a movie extolling the achievements of President Park Chung Hee and was given various publications on the ROK.

When Preston presented the second proposal to Kim on November 18, 1975, Kim rejected it, expressing dissatisfaction that it did not focus on Korean studies. He further stated that the university had underestimated the amount he was willing to donate and that he intended to give \$300,000. Preston told the subcommittee that further negotiations were undertaken and no additional proposals were made because of the differences between Kim and the university over the nature of the program to be funded. Preston was tired of arguing the same points and felt that Kim did not understand that it was the responsibility of the university, not the donor, to determine what programs were needed.<sup>83</sup>

It was later revealed that Hancho Kim received large amounts of money from the KCIA for his activities in the Washington, D.C. area. KCIA official Kim Sang Keun testified that he made two payments of \$300,000 each to Hancho Kim, one in September 1974 and the other in June 1975. He received the money through the diplomatic pouch and was instructed to deliver it to Hancho Kim. Hancho Kim told him the money was to be used for activities to advance Korean interests in the U.S. Congress, executive branch, and media and academic communities. Further, Hancho Kim told

Interview with William Ahlstrom, Sept. 22, 1978.

Interviews with Nathaniel Preston, Sept. 19 and Oct. 10, 1978.

Ibid. According to an attorney for Hancho Kim, it was the university that proposed including Korea in the student exchange program. He further stated Kim did not actually offer \$1,000, but suggested that the university was proposing to spend far too little on its expansion of the international studies program and thought it should spend about \$300,000. Staff interview on Oct. 11, 1978.

him that Gen. Kang Young Hoon suggested making a contribution to American University.<sup>84</sup>

### *University of Southern California*

In August 1975, Prof. George Totten and Prof. Lee Moon Chan traveled to Korea to set up a student exchange program with Yonsei University. While in Seoul, they met one of Professor Totten's former students, an employee of the Korea Explosives Company who indicated that Kim Chong Hee, the president of Korea Explosives, was willing to give financial help for Korean studies at USC. Professors Totten and Lee next met a high official of Korea Explosives who offered a sum of won equivalent to \$15,000 to be spent in Korea and used only to support Korean studies. The offer was accepted. To date, the money has been used to support the studies of two USC students in Korea on the exchange program with Yonsei.<sup>85</sup>

In February 1978, president John Hubbard and USC Professor Lee Changsoo made a 6-day trip to Korea at the invitation of a Korean organization called the International Cultural Society. President Hubbard gave a talk on cultural exchange, the status of Korean studies in the United States, and related topics. According to Professor Lee, there was no discussion of USC fundraising on this trip.<sup>87</sup>

The subcommittee heard allegations from several sources indicating that USC had received or was negotiating for a large grant from Korea Explosives or the Korean Government. One university official stated that negotiations were in progress, but they were between the university and the Korean Traders Association (KTA) and had been handled by President Hubbard. These negotiations were reportedly for a grant of \$60,000 a year for 5 years and involved discussions with ROK Government officials as well as officials from the KTA.<sup>88</sup> Subcommittee efforts to examine these negotiations further were unsuccessful, in part because they were undertaken very late in the investigation.<sup>89</sup>

### APPROACHES TO U.S. SCHOLARS AND RESEARCH INSTITUTES

The scholar has always been held in particularly high esteem in Korean society. The Confucian notion of special respect for learning and learned persons is deeply rooted in the Korean mind. Koreans treat American scholars with the same kind of respect. They are also aware that the views of American scholars influence government policy and public opinion. They know, too, that American professors sometimes become high government officials in positions affecting policies toward Korea. It is not surprising, therefore

<sup>84</sup> "Korean Influence Investigation, Part I," hearings before the Committee on Standards and Official Conduct, U.S. House of Representatives, 95th Cong., 1st sess., Oct. 19, 20, and 21, 1977 (hereinafter referred to as "House Ethics-1"), pp. 52-75; staff interviews with Kim Sang Ke See pp. 290-293 for further discussion of the activities of Gen. Kang Young Hoon.

<sup>85</sup> Interview with Prof. Lee Moon Chan, July 24, 1978.

<sup>86</sup> The subcommittee has little information about this organization or its activities. According to the Korea Herald of Feb. 7, 1978, Hong Sung-chul is its president (see p. 145 of this report) and Kim Kwang is one of its officers (see pp. 125-126; 129-130; 134-136; 140; 154-155).

<sup>87</sup> Interview with Prof. Lee Chang Soo, July 24, 1978.

<sup>88</sup> Interview with Dr. Henry Birnbaum, President's Assistant for International Programs, October 5, 1978.

<sup>89</sup> The subcommittee attempted on several occasions to speak with university president, John Hubbard, but its calls were not returned.

at the Korean Government strove to encourage supportive attitudes among American scholars.

The ways in which the Korean Government sought to influence American scholars varied. They included trips to Korea, support for research papers, sponsorship of academic seminars (both covertly and overtly), awards of honorary degrees, and maximum publicity to scholars during visits to Korea. Some of these efforts are described below.

### *U.S. scholars*

A great many scholars applied for or were offered grants by the Korean Government for research or travel to Korea. Therefore, it was not possible for the subcommittee to look into all the cases which came to its attention nor to attempt to look for all cases. In some of the examples discussed below, the person offered the grant refused it. In other cases the grant was accepted. This was a decision for each person to decide according to his or her own conscience, and the subcommittee does not intend to imply that any scholar was improperly influenced. Rather, it looked at the phenomenon as an example of an ongoing, systematic effort by the ROK Government to improve its image in the academic world.

Section 1 of the 1976 KCIA plan, entitled "Operations Against the North" linked the LaRocque Research Institute with a united front of anti-ROK factions being promoted by the DPRK and called for coopting the Institute.<sup>90</sup> The reference was to the Center for Defense Information headed by Adm. Gene R. LaRocque (retired). Section 2C of the plan, "Operations in Media Circles," under the goal of "Frustration of Northern Puppet Infiltration of U.S. Media Circles" called for inviting Admiral LaRocque and Dr. Leslie Dunbar of the Field Foundation to Korea and coopting them.<sup>91</sup> Admiral LaRocque testified before the subcommittee that he had not been invited to Korea in 1976 but he had been in 1975. After a December 1974 newspaper article by LaRocque calling for the withdrawal of U.S. troops from Korea, he had been asked to come to Korea and address the Korean War College about his views on troop withdrawal. In February 1975, he made the trip, accompanied by Dr. Dunbar, at ROK Government expense. He testified that the Center for Defense Information's usual practice was to pay for travel to and from a country visited, while the host usually paid only in-country expenses. In this case, the ROK paid travel expenses as well.<sup>92</sup>

In his testimony, Admiral LaRocque expressed complete agreement with the conclusion stated by Dr. Dunbar in a report he wrote about their trip.

It begins to become clear why the South Korean Government wanted us—i.e. LaRocque—over. The retention of American troops seems almost to be the highest priority of the governmental establishment, insofar as we met it. The Koreans, a very sophisticated people, are astutely aware of the growing independence of Congress, and of the influence which a few persons such as Gene have with it. They are very concerned also with changes in American public opinion.<sup>93</sup>

KI-3, pp. 59-69, 118; see also appendix C-85.

KI-3, pp. 59-69, 128; see also appendix C-85.

KI-3, p. 60.

KI-3, pp. 62 and 158.

Shortly before the trip, Admiral LaRocque had received a telephone call from the Korean Embassy inquiring whether he would accept an honorary degree from a Korean university while in Korea. LaRocque testified in his view the Government arranged this to dispose him more favorably toward Korea and to change his position on troop withdrawal. Asked if he was not flattered by the degree, Admiral LaRocque said "Not in the least. \* \* \* I knew well I was getting that degree. I felt I would go along with it just to show how far they would really go."<sup>94</sup>

Another section of the 1976 KCIA plan dealing with "Operations in Academic and Religious Circles," began with the goal of changing the attitudes of anti-ROK scholars in the United States. To accomplish this, the plan proposed inviting two such scholars from Korea and co-opting them.<sup>95</sup> One of those scholars was Stefan Leader, also of the Center for Defense Information. In an article in the Defense Monitor which was written largely by Leader, the center had taken the position that U.S. troops should be withdrawn from Korea because they were not necessary to maintain peace in Korea or to defend Japan. Further, the United States should be very careful in giving military aid to the ROK "so as not to provide offensive capabilities that would threaten North Korea and further raise tensions on the peninsula."<sup>96</sup> Leader testified that he had been told on several occasions in 1976 by Col. Choi Yae Hoon, the deputy military attaché at the Korean Embassy in Washington, that Colonel Choi was making arrangements for Leader to visit Korea. Leader was concerned about the question of whether traveling at Government expense would compromise his objectivity. He never had to make the decision because Colonel Choi was recalled to Korea in the wake of some controversy over an alleged offer to a Member of Congress. The subject of the trip was never raised again. Leader testified that he was suspicious that Colonel Choi was a KCIA official.<sup>97</sup> Kim Sang Keun, a former KCIA official at the Embassy in Washington, confirmed that Choi was a KCIA official.<sup>98</sup>

The other anti-ROK scholar targeted in this section of the plan was Prof. Jerome Cohen of Harvard, a well-known critic of the Park Government.<sup>99</sup> Although he did not receive an invitation in 1976, as was often the case, the plan reflected an action previously taken. Professor Cohen had been invited in April 1975 by Prof. Park Choon Kyu of Seoul National University. Professor Park had accompanied a group of students from the Korean War College in Washington as their academic adviser. On his trip, he went to Cambridge to see Cohen, accompanied by a Lee Dong Bok who was introduced as an official of "a security agency." A letter of introduction to Professor Cohen stated that Professor Park had been active in public affairs as an adviser to the North-South Red Cross talks and a member of the ROK delegation to the United Nations.

<sup>94</sup> KI-3, p. 66.

<sup>95</sup> KI-3, p. 131; see also appendix C-85.

<sup>96</sup> "Korea and U.S. Policy in Asia," Defense Monitor, Center for Defense Information, Washington, D.C., vol. V, No. 1 (January 1976), reprinted in KI-3, pp. 142-149.

<sup>97</sup> KI-3, pp. 44-49.

<sup>98</sup> Based on staff interviews with Kim Sang Keun, the subcommittee compiled a list of KCIA officials in the United States. This list, which included Colonel Choi Yae Hoon, was confirmed by Kim in testimony before the subcommittee. See KI-5, pp. 59-60.

<sup>99</sup> See p. 269 of this section of this report.

the letter also asserted that, to the writer's knowledge, Professor Park was a good friend of President Park Chung Hee. Professor Cohen deflected the invitation by stating that he would visit Korea whenever he made a trip to East Asia, just as he had in the past.<sup>100</sup> Prof. Lee Chong Sik of the University of Pennsylvania was targeted in another section of the 1976 KCIA plan. His name and university affiliation appeared in a section calling for inviting influential Korean scholars living in the United States to visit Korea.<sup>101</sup> In testimony before the subcommittee, Professor Lee said:

One of the reasons I was selected as a target, I suppose, is that I have been critical of the political measures taken by President Park since late 1972. The object to influence, then, is corollary to the alienation of Korean-American scholars, and this was caused by dictatorial measures of the Korean Government.<sup>102</sup>

Professor Lee was not invited in 1976, but he had been invited in early 1975 to continue discussions already begun with Ambassador Lim Dong Jo about the possibility of funding a Korean chair at the University of Pennsylvania. In the summer of 1975, Lee was asked by someone in the Korean Embassy if he would attend a conference of the National Unification Board in Seoul. In both cases, he refused. In December 1976, Professor Lee received an unsolicited offer of "\$3,000 as a partial research grant" in a letter from Park Lee Kyoo, the education attaché at the Embassy. Park stated that Vice Minister of Education Cho Sung Ok had informed him of the availability of the grant. Professor Lee again refused.

Later, after Vice Minister Cho resigned and became president of Gyeongsang University, he made a trip to the United States under the sponsorship of the U.S. Department of State leadership program. While in Philadelphia, he met Professor Lee and reiterated the offer. Professor Lee once again declined.<sup>103</sup>

In the summer of 1976, Cho Sung Ok also offered Prof. Robert Salapino of the University of California at Berkeley an unsolicited \$1,000 grant for personal research. He also declined.<sup>104</sup>

On other occasions, the KCIA paid Korean-American scholars to write academic papers on international relations issues. For example, in 1972 Prof. Kim Ilpyong of the University of Connecticut was asked by Choi Hong Tae, identified by Kim Sang Keun as a KCIA officer in the Korean Embassy, to write an article on United States-Soviet relations.<sup>105</sup> Professor Kim was to be paid \$500 for research and another \$500 upon completion of the paper. The first \$500 check was drawn on Choi's personal account and not on an Embassy account.<sup>106</sup> Choi said that Kim's article was to be one of a series written by Korean-American scholars, all requested by Kang Il Dok, head of the Far Eastern Institute in Seoul and a KCIA official. The articles were to be published in Kang's journal, *East Asian Review*, a publication named in the 1976 KCIA plan as material to be distributed to "promote understanding of the ROK's situation."<sup>107</sup>

<sup>100</sup> Staff interview with Prof. Jerome Cohen on Nov. 22, 1977.

<sup>101</sup> KI-3, pp. 27-35 and 133; see also appendix C-85.

<sup>102</sup> KI-3, p. 28.

<sup>103</sup> KI-3, pp. 31-33.

<sup>104</sup> See pp. 279-280 of this section.

<sup>105</sup> Interview with Prof. Ilpyong on Nov. 17, 1977.

<sup>106</sup> Copy of check from subpnaed bank records of Choi Hong Tae in the subcommittee's possession.

<sup>107</sup> KI-3, pp. 125 and 131; see also appendix C-85.

The subcommittee does not intend to imply that Professor Ki acted improperly by writing this article, but simply cites it as an example of how the KCIA interacted with the Korean-American academic community. The subcommittee received evidence indicating that the KCIA paid others through Choi Hong Tae for similar academic articles.<sup>108</sup>

According to the 1976 KCIA plan, Dr. Joseph Schiebel, a professor of Russian history at Georgetown University, was to be used by having him sponsor a conference on ROK security issues and publish the proceedings.<sup>109</sup> According to one of his students, Kim Seur Hwan, Dr. Schiebel did participate in a conference on the People's Republic of China, but was not involved in any academic conference on Korea.<sup>110</sup>

The 1976 KCIA plan also stated that Dr. Schiebel had been contacted and invited to Korea in May 1975. The subcommittee learned that Dr. Schiebel and his wife did in fact visit Korea at that time. However, Dr. Schiebel was unaware that he had been targeted by the KCIA. In the spring of 1975, he and his wife were in Asia for a year's sabbatical from Georgetown. While in Taiwan they had received an invitation to visit Korea from Kim Seur Hwan's father, Dr. Kim Dong Ik. According to Kim Seung Hwan, the invitation was made purely at his suggestion and not on behalf of the KCIA or Korean Government. The Schiebels had been Kim's host family when he came to Washington, D.C., in 1973, and they and his parents had become acquainted through letters as a result.<sup>111</sup>

While in Korea, the Schiebels stayed with Kim's parents, who bore all their expenses. Dr. Schiebel stayed about 8 days, met with Korean Government officials, and was given a tour of the DMZ. One of the officials was Hwang Moon Young, chief of the American section of the KCIA. In discussions with the officials, Schiebel expressed his opinions openly and in many instances criticized the policies of the Government.<sup>112</sup>

Former KCIA official Kim Sang Keun told the subcommittee he received several hundred dollars a month from KCIA headquarters which he delivered personally or mailed to Kim Seung Hwan. These payments are reflected in the records of Kim Sang Keun's bank account. Kim Sang Keun had taken over responsibility for these payments from another KCIA official, Choi Hong Tae. He later transferred the task to Hwang Moon Young, who was transferred from the American section of the KCIA in Seoul to the Embassy in Washington, D.C. in 1976.<sup>113</sup>

When questioned about these payments, Kim Seung Hwan stated that between 1971 and 1975 he had received monthly scholarship payments of \$200 from the Institute for International Studies at Hankook University. They were in the form of checks, and he got them either by mail from the embassy or directly from the institute on visits to Korea. Kim could not recall which Embassy official mailed them. According to Kim, the scholarship was awarded

<sup>108</sup> Bank records of Choi Hong Tae indicate that he made similar payments to other scholars.

<sup>109</sup> Dr. Schiebel is represented in the published version of the 1976 KCIA plan as "Dr. A. KI-3, p. 132; see also appendix C-85.

<sup>110</sup> Interview with Kim Seung Hwan, Aug. 16, 1978.

<sup>111</sup> Ibid.; also interviews with Patricia Schiebel on Nov. 18, 1977 and Oct. 5, 1978.

<sup>112</sup> Interview with Patricia Schiebel, Oct. 5, 1978.

<sup>113</sup> Interview with Kim Sang Keun, Oct. 2, 1978.

the basis of academic competition, and he was unaware of any CIA involvement.<sup>114</sup>

### *Research institutes*

#### *Hudson Institute*

In an article in the *New York Times* of December 16, 1976, the Hudson Institute,<sup>115</sup> headed by Herman Kahn, was alleged to have been used by the Korean Government to influence American thinking and policy toward Korea. Officials at the institute told the subcommittee that it had been involved in three projects related to the ROK. The first was a "Conference on Korean Futures: Scenario and Predictions," held in 1973.<sup>116</sup> It was cosponsored by the institute and the Asiatic Research Center of Korea University and took place in Seoul, funded in part by approximately \$30,000 from AID. The remaining costs were borne by the Asiatic Research Center. Academicians, corporate leaders, and Korean Government officials participated. Herman Kahn told the subcommittee that although critics of the Korean Government would not have been included, invitations to Prof. Edwin O. Reischauer and Kim Sang Man, publisher of the *Dong-A Ilbo*, were not sent until Government approval was obtained.<sup>117</sup>

The second project included a series of consultations with Hudson officials in 1974 and 1975, for which the Bank of Korea and the Korea Development Institute, both Korean Government institutions, each paid Hudson \$25,000. The consultations concerned long- and short-term analyses of Korean economic growth to aid in economic planning in Korea. Hudson also made an oral commitment as part of this project to write a book on the economic development of Korea and Republic of China, a book that was eventually expanded to include other developing nations as well. Kahn told the subcommittee that the institute spent a great deal of its own resources to complete the project and that it will represent a financial loss to Hudson.<sup>118</sup>

Kahn informed the subcommittee that he had been asked by *Time* magazine to write an editorial section on South Korea for an advertising supplement, a supplement which was paid for by the ROK business community and published in the August 14, 1978 edition. Kahn was paid \$5,000 for this editorial section. Although Kahn was paid by *Time, Inc.* for this section, *Time* officials told the subcommittee that Kahn's name had been suggested by individuals in the Korean business community.<sup>119</sup> Kahn had on numerous occasions made favorable statements about the economic growth of Korea and was apparently considered a valuable spokesman on the present and future state of the Korean economy.

Interview with Kim Seung Hwan, Aug. 16, 1978.

The Hudson Institute, founded in 1961, is a nonprofit research institute in Croton-on-Hudson, N.Y. The institute specializes in research on national security issues and trends in economic and social development.

Interview with Herman Kahn, May 15, 1978.

*Ibid.* It should be noted that Kim Sang Man is the brother of Kim Sang Hyup, president of Korea University at the time of the Hudson Conference at the university. Criticism of the ROK Government by Prof. Edwin Reischauer also became a troublesome factor in the Korean grant to Harvard University. See pp. 269, 272-273 of this section.

*Ibid.*

Interview with Harry Steinbreder of *Time*, May 17, 1978.

*Research Institute on Korean Affairs*

One institution established by the ROK Government was the Research Institute on Korean Affairs (RIKA), founded by retired Gen. Kang Young Hoon in the fall of 1970 as a nonprofit, tax-exempt educational foundation. The subcommittee was informed that General Kang told several individuals he had received the initial funds for RIKA directly from President Park Chung Hee. During subcommittee hearings on March 15, 1978, a declassified summary of U.S. intelligence reports was released which included General Kang's institute as among the ROK Government lobbying activities to be placed under the direction of Tongsun Park (a plea later rejected).<sup>121</sup> Other U.S. Government reports in the spring of 1974 indicated that the KCIA in Washington, D.C., was attempting to persuade wealthy Korean businessmen in the United States to serve as fronts for KCIA funding for RIKA.<sup>122</sup> Former Director of the KCIA Kim Hyung Wook testified that General Kang requested and received funds for RIKA from the KCIA.<sup>123</sup> Further, according to the 1976 KCIA plan, General Kang's research institute was to play a major role in influencing opinion about Korea in the U.S. academic community.<sup>124</sup>

Because of these allegations, the subcommittee investigated the operations of the RIKA and its financial records. The inquiry revealed that a large-scale laundering operation had been initiated in 1971, continuing through 1976, to disguise the source of funding. The subcommittee examined the list of contributors compiled by RIKA which formed the basis for its claiming tax-exempt status from the IRS.<sup>125</sup> A breakdown of the list was as follows:

Clear cases of laundering.....	\$173,9
"Contributions" by Korean officials .....	100,4
Other contributors.....	70,7
Unidentified contributors .....	41,5
<b>Total .....</b>	<b>\$386,6</b>

The laundering process involved either General Kang or Washington-based KCIA official, Choi Hong Tae, who would give cash on a check to an individual who would then write a check to RIKA for the amount of money given them. Former Korean Government Education Attaché, Kang Kyung Koo, and Baltimore businessman Lim Kee Seo testified to laundering \$36,000 and \$10,000, respectively, in this fashion.<sup>126</sup> A total of eight individuals told the subcommittee that they had participated in this operation. Many other "contributors," including former or present Korean Government officials, could not be reached by the subcommittee.

Of the total income reported to the IRS, the Korean Government and the KCIA provided over \$270,000, either directly or through

<sup>120</sup> Confidential staff interviews.

<sup>121</sup> "Investigation of Korean-American Relations," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 95th Cong., 2d sess., Part Mar. 15, 16, 21, 22; Apr. 11, 20; and June 20, 1978 (hereinafter referred to as "KI-4"), p. 1.

<sup>122</sup> See "Part C-III: Executive Branch Awareness of Questionable Korean Activities," p. 1.

<sup>123</sup> "Investigation of Korean-American Relations," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 95th Cong., 1st sess., Part 1, June 22, 1977 (hereinafter referred to as "KI-1"), p. 45.

<sup>124</sup> KI-3, pp. 131-132; see also appendix C-85.

<sup>125</sup> This list is printed in appendix C-193.

<sup>126</sup> KI-5, pp. 114-115 and 118-120.

the laundering process described above, between 1970 and 1977 to operate the institute.

Kim Hyung Wook testified that at one point the KCIA director transferred funding for RIKA from the KCIA to the Korean Traders Association. An examination of the financial records of the institute revealed that P. J. Koh and Lee Hwal, officers of the Korean Traders Scholarship Foundation, assumed full responsibility for financing the activities of RIKA from late 1975 through its demise in 1977.<sup>127</sup>

As to the use made of the money, General Kang attempted to establish RIKA as a legitimate academic institution in the field of Korean studies, contributing to U.S. scholarship on Korea. RIKA published the quarterly *Journal of Korean Affairs* and other academic materials, established a library of works on Korea, sponsored academic conferences, and supported General Kang's participation in organizations involved in Korean studies.

The journal contained articles on international relations in East Asia, on issues concerning Korean reunification, and on diplomacy in both North and South Korea. The tone of the majority of articles was generally conservative, no doubt in part due to the refusal of certain critics of the Government to submit articles, since RIKA was rumored in the Korean studies field to be connected with the Government. Nonetheless, the subcommittee found no evidence to indicate that the content of the journal was dictated by the KCIA or the ROK. On the contrary, its advisory board was comprised of noted scholars across a wide political spectrum.

In April 1972, RIKA held a symposium on the "The Major Powers in the Far East and Korea" at the Holiday Inn in Silver Spring, Md. When the proceedings of this symposium were published in 1973, the institute was referred to as a "sponsor." There was no other reference to sources funding the symposium.<sup>128</sup>

One organization in which General Kang participated was the International Association of the Organization for Korean Studies (IAOKS), headed by Choe Suh Myun in Tokyo. Professor Lee Jai Iyon testified before the subcommittee that Choe was an "operative" of the KCIA.<sup>129</sup> Kang himself had been elected the North American delegate to participate in conferences sponsored by Choe. This election took place at a meeting of IAOKS in 1975 and was conducted by six individuals invited by Choe. Prof. Andrew C. Nahm of Western Michigan University was elected the delegate from the Korean studies community in the United States. In October 1976, Professor Nahm received \$1,500 from Choe to organize a J.S. council under Choe's international association. It was never established, however, due to a lack of enthusiasm on the part of scholars in the Korean studies field in the U.S.<sup>130</sup>

<sup>127</sup> KI-1, p. 45. See also appendix C-193.

<sup>128</sup> Kim, Young C., ed., *Symposium on Major Powers in the Far East and Korea* (Silver Spring, Md., Research Institute on Korean Affairs, 1973).

<sup>129</sup> "Activities of the Korean Central Intelligence Agency in the United States," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 94th Cong., 2d sess., Part II, June 22, Sept. 27 and 30, 1976 (hereinafter referred to as SIO-II"), p. 6, 30 and 32.

<sup>130</sup> Letter in possession of the subcommittee dated Oct. 25, 1976, from Prof. Andrew Nahm to Chase Manhattan Bank in Seoul, acknowledging receipt of the \$1,500 from Augustine Choe. Letter dated June 12, 1978 to the subcommittee from Prof. Andrew Nahm concerning disbursement of Choe's funds.

According to the 1976 KCIA plan, RIKA was also to play a major role in the KCIA's efforts to influence the U.S. academic community. Publications of the institute were to be used to "expose the fallacies of anti-ROK slander and propaganda."<sup>131</sup> Further, Ambassador Han Byung Ki's "P. R. Institute" was to use RIKA to publish public relations materials for the ROK.<sup>132</sup> One scholar in the Korean studies field told the subcommittee that he received multiple copies of RIKA publications by mail—from the Korean Embassy, the consulate in New York, and the Observer Mission to the United Nations.

The KCIA also planned to hold academic meetings in the United States, using the institute.<sup>133</sup> As noted above, RIKA did sponsor one such conference in 1972. It sponsored another one in May 1974 on "Comparative Communist Systems: North Korea and East Germany." One participant at this conference told the subcommittee that RIKA covered all expenses of the conference and paid participants an honorarium of \$600 to \$1,000.

The 1976 KCIA plan estimated the annual operational expenses of RIKA to be \$88,000.<sup>134</sup> The subcommittee examined the income tax returns filed by the institute during its operation. They indicated that RIKA reported receiving gifts and contributions in 1971 of \$88,000. This was another example of an item in the KCIA 1976 plan that actually referred to something in the past.

The KCIA plan also allocated \$50,000 for "collaboration" between RIKA and George Washington University.<sup>135</sup> Former education attaché Kang Kyung Koo told the subcommittee that in 1974 or 1975 Gen. Kang Young Hoon asked him to secure a grant from the Ministry of Education for \$50,000 to cover the costs of merging RIKA with the Sino-Soviet Institute of George Washington University. Attaché Kang sent this request to the Ministry of Education and KCIA officials at the Embassy, including Kim Yung Hwan, KCIA station chief. Although he received no response from the KCIA, Kang was instructed by the Ministry of Education to contact the university and report back on the benefits of such a merger. After talking with officials there, Attaché Kang filed a report but had received no word from the Ministry on the grant prior to his resignation in 1976.<sup>136</sup> Prof. Kim Young Chin of George Washington testified before the subcommittee that he had been asked by General Kang in 1976 to become the editor of RIKA's journal. He also testified that General Kang asked him if George Washington University would take over RIKA's library, which the university did not do.<sup>137</sup> In the end the merger did not take place.

The Research Institute on Korean Affairs ceased operations in the spring of 1977, following General Kang's return to Korea in December 1976. Kang informed several individuals that he was leaving the United States because the outbreak of the Korean scandal was making it impossible to operate RIKA. However, income to RIKA had risen annually during the last 4 years of its operation.

<sup>131</sup> KI-3, p. 128; see also appendix C-85.

<sup>132</sup> KI-3, p. 133; see also appendix C-85.

<sup>133</sup> KI-3, p. 132; see also appendix C-85.

<sup>134</sup> KI-3, p. 133; see also appendix C-85.

<sup>135</sup> KI-3, p. 133; see also appendix C-85.

<sup>136</sup> Staff interview with Kang Kyung Koo on Feb. 23, 1978.

<sup>137</sup> KI-3, pp. 50-52.

When Kang returned to Korea, he became dean of the School of Foreign Studies affiliated with Hankook University, a position he held until February 1978. In that month he was appointed to the ambassador-level post of Director of the Foreign Affairs and Security Institute of the Ministry of Foreign Affairs, the ROK equivalent of the Foreign Service Institute.<sup>138</sup>

#### USE OF ACADEMIC CONFERENCES

The Korean Government and the KCIA used academic conferences to promote their interests as part of their effort to improve the image of Korea in the United States. In June 1975, Prof. Lee Jai Hyon testified that part of a KCIA plan discussed at the Embassy in early 1973 dealt with sponsorship of academic conferences, aimed in part at curbing criticism of the Yushin Constitution in the U.S. academic community.<sup>139</sup> The 1976 KCIA plan made explicit KCIA intentions to use academic meetings to bring about "pro-ROK statements and a pro-ROK atmosphere."<sup>140</sup>

The subcommittee learned that on several occasions the Government financed academic conferences on Korea in addition to those of the Research Institute on Korean Affairs<sup>141</sup> by covertly providing funds to sponsors. Two such conferences in the U.S. were "Korea and the Powers in the 1970's," held in 1973 at the Washington Hilton Hotel, and "Korea and the Major Powers," held in 1975 at the Key Bridge Marriott Hotel outside Washington, D.C. Participants told the subcommittee that ROK support was not made public at the time of the conferences.

The 1973 conference was cosponsored by the Institute for Asian Studies, headed by Hahn Kwang Neun, and Kyungnam University in Masan, Korea, whose president was the brother of former Chief of the Presidential Protective Force, Park Chong Kyu.<sup>142</sup> Prof. Lee Jai Hyon testified that the Korean Government paid all the expenses of conference participants.<sup>143</sup>

The conference in 1975 was sponsored by the Institute for Sino-Soviet Studies of George Washington University. On November 29, 1977, Prof. Kim Young Chin of the institute testified before the subcommittee that the conference was financed in part by \$20,000 from the Ministry of Education. The funds had been sent to the institute by Korean Ambassador to the United States Hahn Pyong Choon.<sup>144</sup> The source of the funds was not made clear to participants at the time of the conference. The subcommittee was not aware of any attempt to include or exclude any participant for political purposes. The conference proceedings were published by Praeger Publishers, Inc. in 1977.

Kang Kyung Koo, education attaché at the Korean Embassy at the time of these two conferences, testified that according to standard procedures, he would have handled disbursement of Ministry of Education funds in the United States. However, he was not involved in or aware of the financial arrangements for these confer-

<sup>138</sup> Article in Korea Herald, Feb. 7, 1978.

<sup>139</sup> Op. cit., Human Rights in South Korea \* \* \* p. 180.

<sup>140</sup> KI-3, pp. 131-33; see also appendix C-85.

<sup>141</sup> See p. 292 of this section.

<sup>142</sup> Op. cit., Sugwon Kang, p. 30.

<sup>143</sup> Op. cit., Human Rights in South Korea \* \* \* , p. 80.

<sup>144</sup> KI-3, pp. 52-54.

ences. He indicated that the Ambassador could have made such donations without his knowledge. He also stated, moreover, that the Ministry of Education could have made direct donations without going through the Ambassador, and in such a case he would not have learned of it. He agreed that it was possible for such funding to have come from the Ministry of Foreign Affairs, the Korean Traders Association, or the KCIA.<sup>145</sup>

Several other academic conferences on Korea deserve mention. One—held in Seoul in the summer of 1975—was part of the Second Convention of the International Association of Organizations for Korean Studies, headed by Choe Suh Myun of the Tokyo Institute for Korean Studies, as noted earlier. According to the Korean-language prospectus of this conference, it had the “support” or “backing” of the Korean Government.<sup>146</sup> Further, the English-language prospectus noted that participants were “kindly advised to abstain from any sensitive statements or acts which may be taken as ‘political.’”<sup>147</sup>

This constraint on academic discussion caused at least one Korean studies scholar in the United States to decline Choe’s invitation to participate.<sup>148</sup> The delegates representing Korean studies in North America and the United States were Gen. Kang Young Hoon and Prof. Andrew C. Nahm, respectively. Neither was actually elected by the Korean studies community, however.<sup>149</sup>

All travel and other expenses of participants were paid by the sponsor. Participants met with President Park Chung Hee following the conference.

Second were two conferences which seemed to correspond to the intention expressed in the 1976 KCIA plan to “invite 43 Korean resident political scientists and coopt them” as part of a general effort to “utilize” Korean scholars in the United States.<sup>150</sup> In both 1975 and 1977, joint conferences were held in Seoul by the Korean Political Scientists Association and Association of Korean Political Scientists. According to a member of the 1975 conference program committee who also attended the 1977 conference, there were approximately 40 participants from the United States at both the 1975 and the 1977 conferences. Again, all expenses were paid by the ROK Government, and participants met with President Park Chung Hee afterward.

The 1976 KCIA plan also targeted the “American-Japanese academic meeting sponsored by Stanford University,” proposing to get pro-ROK scholars to participate in order to “frustrate the Northern Puppets.”<sup>151</sup> The subcommittee learned that an attempt was made to implement this part of the plan. In January 1976 the Stanford University Project on United States-Japanese Relations sponsored an academic conference on arms control and international security which included a discussion of Korea. In November 1975, former Minister of Education Min Kwan Shik visited Franklin Weinstein,

<sup>145</sup> KI-5, pp. 108-109.

<sup>146</sup> Letter dated June 19, 1975 from Prof. Gari Ledyard to Choe Suh Myun. See appendix C-194.

<sup>147</sup> Op. cit., Sugwon Kang p. 30.

<sup>148</sup> See Appendix C-194.

<sup>149</sup> Op. cit., Sugwon Kang, p. 30. This was confirmed in an staff interview with Prof. Andrew C. Nahm on May 2, 1978. See also appendix C-194.

<sup>150</sup> KI-3, p. 133; see also appendix C-85.

<sup>151</sup> KI-3, p. 132; see also appendix C-85.

director of the project, and asked that he be allowed to participate. Weinstein rejected the request. Later, in January 1976, Yoo Chong Ha, counselor at the Korean Embassy in Washington, called Weinstein and asked that Prof. Kim Young Chin of George Washington University be permitted to attend. It was also denied. The pressure continued during the actual conference, this time in the form of requests directed at Japanese participants.<sup>152</sup>

Following the conference, Weinstein was visited by Limb Man Sung, a KCIA official from the ROK consulate in San Francisco.<sup>153</sup> Limb wanted to know the contents of the conference proceedings. Since the discussions had been confidential, Weinstein would not disclose their substance.

It seemed clear to the subcommittee that the ROK Government had attempted to influence public opinion and the U.S. academic community by sponsoring, covertly funding, and otherwise influencing academic conferences on Korea. Further, it was apparent that these plans were largely directed by the KCIA.

#### ACTIVITIES INVOLVING KOREAN STUDENTS IN THE U.S.

ROK government concern about its image in the academic world extended to the views of Korean students attending American universities. In the case of professors and established scholars, that concern was primarily with the views they expressed in their academic writings and lectures, but in the case of students it was with their attitude toward the Government and the activities they undertook in relation to those views. The fact that the Rhee Government had been brought down in 1960 by a student revolution with the support or at least acquiescence of the majority of the Korean population was never far from the minds of the Government or the students. The students saw themselves as the moral guardians of the political life of the nation, and every controversial measure taken by the Government after the fall of Rhee was greeted in Korea by student demonstrations.

After the enactment of the Yushin constitution, Korean students in the United States also became very active in demonstrations and other opposition activities. These efforts were closely scrutinized by KCIA officials and other Korean Government officials acting in concert with the KCIA, according to the testimony of former Government officials. Consular officials were instructed to attend demonstrations and note the numbers and names of student participants. This information was then sent to Seoul.

Organizers and participants of these demonstrations informed the subcommittee that they had received threatening telephone calls, some specifically mentioning their anti-Government activities.<sup>154</sup> Kang Kyung Koo, former education attaché at the Embassy in Washington, testified before the subcommittee that he called student leaders prior to demonstrations to give them "friendly

<sup>152</sup> Interview with Dr. Franklin Weinstein on Dec. 19, 1977. See also: Stanford University News Service press release dated Dec. 5, 1977; Semas, Phillip W., "South Korean Plan to Influence Scholars Apparently Failed to Produce Results," *The Chronicle of Higher Education*, Dec. 12, 1977), p. 9.

<sup>153</sup> Limb Man Sung was identified as a KCIA official by Kim Sang Keun in testimony before the subcommittee on June 6, 1978. The subcommittee also received testimony concerning harassment of Korean-Americans in San Francisco by Limb. See KI-5, pp. 87-92.

<sup>154</sup> Interviews with Koh Won on Apr. 10, 1978, and affidavit by Jin Ok Chang, dated Apr. 10, 1978, submitted to INS in support of her petition for political asylum.

advice" not to demonstrate. This advice took the form of: (1) notifying them that they might not be able to secure jobs on returning to Korea; (2) stating that the FBI might be watching them to take note of "pro-communist" activity; and (3) suggesting that the Embassy might cut off financial assistance to the Korean Student Association in Washington, D.C.<sup>155</sup> Kang further testified that on occasion he reported the names of demonstrators to Seoul. A former KCIA official, Kim Sang Keun, testified that the KCIA had employed an American photographer to take pictures of demonstrators. These were also sent to KCIA headquarters in Seoul.<sup>156</sup>

U.S. Government reports confirmed that the ROK Government was extremely concerned about anti-Government demonstrations by Korean students and others in the Korean community. The KCIA devised plans to infiltrate organizations opposing ROK Government policies to undermine their activities.

Officials at several U.S. universities told the subcommittee that they felt the emergency measures of 1974 made free and objective participation in discussion of Korean politics by Korean students difficult if not impossible. Students feared that what they said on American campuses might be reported back to Seoul. American students also felt constrained because they did not want to cause trouble for their Korean friends or preclude their getting visas themselves to go to Korea.

On a more positive note, faculty members noted that intimidation of Korean students had abated somewhat since the inauguration of congressional investigations of KCIA operations in the United States. Nonetheless, Korean students were still reluctant to engage in political discussions on Korea.

#### CONCLUSIONS AND RECOMMENDATIONS

In the 1970's, the ROK Government was aware of the influence of universities and scholars on American public opinion and was concerned that many American scholars, especially those interested in East Asia, were criticizing the Yushin system and the activities of the KCIA. Therefore, it undertook a number of measures to improve its image in U.S. academic circles. The extent of the Government's concern was evidenced by the emphasis placed on academic circles in the 1976 Plan for KCIA Operations in the United States.

Making or encouraging grants to U.S. universities in support of Korean studies was the most conspicuous and costly measure undertaken by Korea in its attempt to influence American academic opinion. Grants tended to bring credit to a donor for encouraging scholarship on Korea, long treated as an adjunct to the study of China and Japan. At the same time, the Government felt it might counterbalance or mute academic criticism.

The role of the Government in the grant process was both direct and indirect. It was direct in the cases of Western Michigan University and the University of Hawaii, which received their grants from the Ministry of Education. In the case of Harvard, a Blue

<sup>155</sup> The Korean Student Association is a social and cultural association of Korean students in the Washington, D.C., area. Membership is voluntary, and its leaders are elected by its members. For Kang Kyung Koo's testimony, see KI-5, pp. 111-114.

<sup>156</sup> KI-5, p. 58.

House official tried to prescribe the use of the grant by asking that it be confined to the study of the Korean economy. Seoul National University, a Korean Government institution, apparently sought to gain influence over the Korean studies program at Columbia by trying to broaden the jurisdiction of the advisory committees at each university to cover Columbia's entire program.

The only evidence of an actual KCIA attempt to make a grant to a U.S. university was in the case of American University. Hancho Kim, a Baltimore businessman who received large amounts of money from the KCIA for influence activities in the Washington, D.C., area, offered the university \$300,000. The university refused the offer because Kim insisted on a program focused on Korea rather than on international studies in general.

The Government's role was indirect in those instances where the Korean Traders Association was chosen by the Blue House and the Ministry of Education to be the donor, as happened with Harvard and Columbia. The donations were made by Korean businessmen, using their own money, through the Korean Traders Scholarship Foundation, a part of the Korean Traders Association. The subcommittee found no evidence that the money for these grants was provided by the KCIA or any other agency of the Korean Government. The Korean Traders Association seemed to have had no choice in the matter, however. Once designated by the Government, it was compelled to make the donations.

The University of California at Berkeley also received its annual grant from the Korean Traders Scholarship Foundation, but the subcommittee found no evidence that the Government had specifically designated the Korean Traders Association to make that particular grant through the foundation.

Another example of the Korean Traders Association being ordered by the Government to make contributions to an academic organization in the United States was noted by Kim Hyung Wook, former director of the KCIA. Kim testified that the KCIA told the Korean Traders Association to contribute to the Research Institute on Korean Affairs, which formerly had been funded directly by the KCIA.

The KTA evinced annoyance over the controversy surrounding the grants. During the negotiations for the Columbia grant, P. J. Koh of the KTSF was quoted by the New York Times as saying:

The Harvard experience was bad enough. But as a public institution we'll consider the request if Columbia submits its application for help. Just remember that from now on, we'll not allow Americans to slap our face for helping them with our hard-earned money.<sup>157</sup>

The ROK Government made a number of efforts to achieve influence over Korean studies programs. This was particularly true with Columbia, given the decision of the Minister of Education against an endowment fund and in favor of broad jurisdiction for the advisory committees.

Columbia saw to it that Seoul National University did not gain influence over any part of its Korean studies program except the joint program for the exchange of scholars. The jurisdiction of the advisory committees and the annual reporting to which Columbia agreed are limited to that program.

<sup>157</sup> The New York Times, Dec. 16, 1976.

Harvard, the only university whose grant was in the form of an endowment, resisted efforts by the Korean Government to restrict use of its grant to the study of the Korean economy, a field in which the Government's record was very successful. University officials arrived at a compromise—a chair in Modern Korean Economy and Society.

At another occasion, the Korean Government, disturbed that a professor at the University of Hawaii was seeking funds from North Korea, considered terminating the grant to that university. It did not do so, however, and the subcommittee was not aware of any actual attempt by the Korean Government to exert improper influence on that institution.

The universities approached the prospect of Korean grants with varying degrees of caution. All seemed fully cognizant of the potential danger to academic freedom attached to grants from foreign sources. The widespread, unfavorable publicity about the Korean Government that began around 1973 seemed to have been a turning point in the attitudes of American universities toward accepting money directly from that Government. For example, Harvard adopted a policy of not accepting grants from governments of divided nations in Asia, in part because of possible negative faculty and student reaction.

An official of the University of Washington asked that the Blue House or the Minister of Education help the university select a suitable professor to teach Korean studies. The president of the university found this to be a violation of university policy. The university also wrote to the Korean Consulate General in San Francisco inquiring about a grant. The response came from the Korean Traders Scholarship Foundation, with whom talks then began. The university declined an offer from the foundation, however.

Columbia indicated a willingness to accept a grant from either the Korean Government or private sources. Columbia's efforts to raise funds in Korean included approaches to President Park Chung Hee and the Minister of Education, as well as private sources. In the end, the money came from a private source.

Only in the case of the University of California at Berkeley was there apparently no discussion with Korean Government officials about proposed grants.

Some faculty and students at Columbia and Harvard were resentful that details were kept confidential. The subcommittee gained the impression that this secrecy gave rise to greater suspicion as to the propriety of accepting money from Korean sources during a time of widespread criticism of the ROK Government. This problem might be ameliorated if such politically sensitive negotiations were openly discussed among all interested members of the university community.

The Korean Government itself was aware of the problems of direct government grants. In the case of the Columbia grant, for example, a letter from the Minister of Education to Columbia made it clear that the KTSF was chosen by the Government to make the grant, as opposed to its making one directly, because the Government felt that the "current state of things in your country and the prevailing atmosphere among the faculty members at your univer-

sity" made that the wiser choice.<sup>158</sup> Since 1974, the ROK Government appeared to have made all new grants through the Korean Traders Scholarship Foundation.

The subcommittee concluded that the Korean Government attempted to use grants to influence American universities for political purposes. It found no evidence that the universities accepted grants with conditions limiting academic freedom. Nevertheless, mere acceptance of Korean grants by American universities may indicate a measure of success by the Korean Government in attempting to improve its image in the United States. Donating substantial sums of money to prestigious institutions lends the donor a certain amount of recognition, and acceptance of the grants could be taken to imply approval of the ROK Government. Further, there is an inherent danger that the recipient may feel constrained from criticizing the Government or allowing politically sensitive topics or individuals to be involved in programs funded by the grant.

The ROK Government also sought to use scholars, academic conferences, and research institutes to influence U.S. public opinion on Korea. This took the form of covert as well as overt funding, offers of trips to Korea, and research funds for American scholars and participation in academic conferences by scholars sympathetic to the Government.

The KCIA played a large role in these efforts. It covertly supplied large amounts of money to the Research Institute on Korean Affairs, headed by retired Gen. Kang Young Hoon. Private individuals and corporations in the Korean community were asked by the KCIA and General Kang to participate in a laundering operation designed to hide the KCIA funding. Activities of the institute included sponsoring academic conferences and publishing an academic journal and scholarly works on Korea.

The ROK Government also covertly funded additional academic conferences on Korea on at least two other occasions. According to KCIA plans, such conferences were to be used to influence the American academic community by presenting Korea in a favorable light and drawing attention to its security concerns. On another occasion, the KCIA attempted to influence an academic conference by trying to secure participation by a pro-Government Korean-American professor. In light of the political controversy and moral questions surrounding ROK funding of academic conferences, the subcommittee believes that the sponsors of such conferences, seminars, and research institutions should advise their participants as to the sources of funding, and that subsequent publications on the proceedings should also identify sources of funding.

U.S. scholars, both those supporting and opposing the Korean Government, were targeted by the KCIA as individuals to be invited to the ROK and influenced. The subcommittee found that such attempts were in fact made in several instances. Further, the Government offered grants to individual scholars as part of its efforts to influence the U.S. academic community.

The subcommittee concluded that Korean studies is an important area of academic endeavor which has not received the attention it merits and recognized that the relative neglect of the field has

<sup>158</sup> See p. 277 of this report.

resulted in large part from the lack of financial resources. This investigation has shown the problems inherent in attempting to compensate for the lack of funds by accepting grants from the ROK Government or private institutions in Korea.

The subcommittee recommends that the Foreign Agents Registration Section of the U.S. Department of Justice determine whether the Korean Traders Association (Seoul), the Korean Traders Scholarship Foundation, and the Korean Traders Association, Inc., were acting as agents of the Korean Government in making grants to U.S. institutions on its behalf; whether these organizations violated the Foreign Agents Registration Act; and whether these organizations should register now as agents for the Korean Government.

Considering the example of the covert financing for the Research Institute on Korean Affairs (RIKA) by the Korean Government, the Subcommittee recommends that the foreign agents registration section of the Department of Justice determine whether the activities of such institutions are "only \* \* \* in furtherance of bona fide \* \* \* scholastic, academic or scientific pursuits" or whether the institutions should register as foreign agents under the provisions of the Foreign Agents Registration Act.

If an educational or research institution is required to register as a foreign agent under the Foreign Agents Registration Act, the Internal Revenue Service should take that factor into account in determining whether the institution is entitled to tax-exempt status, under 26 U.S.C. 501(c)(3), which exempts from taxation any "\* \* \* foundation organized and operated exclusively for \* \* \* educational purposes \* \* \*."

Because of the intrinsic value of studying Korean culture and because of its importance to the understanding of Korea necessary to the formulation of sound U.S. foreign policy in East Asia, the subcommittee recommends that the Congress consider special provisions for financial support of Korean studies in the United States, perhaps by establishing a Korean-United States Friendship Commission. There is a precedent for such a commission in the Japan-United States Friendship Commission, established by the U.S. Congress in November 1975 (Public Law 94-118).

#### INFORMATION

##### *Efforts to influence news media*

Historically, the ROK Government has been sensitive to criticism in Korean and overseas media and has frequently used its power to censor and influence both within Korea. It has also attempted to control the Korean language press in the United States and to influence the U.S. media in their coverage of Korea.

##### *Government control of the media within Korea*

In the months immediately after World War II, which brought an end to Japanese suppression of the press, newspapers of every political inclination flourished in Korea. However, in 1946 the U.S. military government closed many newspapers it considered to left-wing. The Syngman Rhee regime continue to suppress those it considered damaging to its interests. Following the student demon-

strations and resignation of Rhee in April 1960, all restrictions were lifted, and there was another flurry of press activity.<sup>159</sup>

Restrictions reappeared with the military coup in May 1961,<sup>160</sup> but there was still a certain measure of press freedom throughout the 1960's, as indicated by the existence of what were generally considered to be "opposition newspapers." Some articles criticizing Park Chung Hee and his political party, the Democratic Republican Party (DRP), were permitted as long as they were not too extreme and did not question ROK Government policy toward the DPRK.

With the establishment in 1972 of the Yushin constitution and the rigid political controls that it inaugurated, tight censorship was reimposed on the media in Korea; in many cases, a KCIA official was assigned to newspaper, wire service, and broadcasting offices.

During a short period in late 1974 and early 1975, one prominent Korean language daily, the *Dong-A Ilbo*, asserted its independence and refused to submit to censorship. As a result, the Government pressured the newspaper's regular advertisers to withdraw their business, threatening the paper with financial ruin. In a spontaneous display of support for the paper, which was regarded as a symbol of Korean nationalism under Japanese colonial rule, the public kept the paper alive for 4 months by increasing its circulation substantially and, more importantly, by placing advertisements. Many of these were very small, and the majority were placed by individuals or groups who chose to remain anonymous. The general theme was support for the principle of freedom of expression and encouragement of the *Dong-A Ilbo* in its struggle for that principle. During this period of harassment of the *Dong-A Ilbo*, the USIA continued to place advertisements in the newspaper. In time, the pressure became too great, and the management succumbed to the Government's demands. Its commercial advertising was immediately restored.

#### *Attempts to influence Korean media in the United States*

Particularly after the establishment of the Yushin constitution in 1972, the Government attempted to extend its largely successful control of domestic media to Korean communities in the United States. For example, Kim Nam, the publisher of the *Mijoo Dong-A*, a regular insert in the *Dong-A Ilbo* published in Los Angeles, received warnings from the Seoul office of the *Dong-A Ilbo* following publication of certain articles. The Seoul office was responding to notices from the Ministry of Culture and Information that, according to Korean law,<sup>161</sup> the Seoul office was to assume responsibility for the news content of the *Mijoo Dong-A*, even though it was published in the United States. In a letter of January 13, 1976, Kim Nam was threatened with recall if articles violating the Government's emergency measures were published in the future.<sup>162</sup>

The KCIA tried to harass and intimidate publishers of other Korean language newspapers in the United States whose editorial policy was critical of the Korean Government. The Subcommittee

<sup>159</sup> Henderson, Gregory, *Korea, The Politics of the Vortex* (Cambridge: Harvard University Press, 1968), p. 180.

<sup>160</sup> *Ibid.*, pp. 183-84.

<sup>161</sup> See appendix C-195.

<sup>162</sup> See appendixes C-196, C-197, and C-198.

heard testimony from publishers of two such newspapers, Kim Woon Ha of the New Korea in Los Angeles,<sup>163</sup> and Song Sun-Keun of the Korea Journal in San Francisco,<sup>164</sup> both of whom said they were the victims of KCIA harassment and intimidation in 1974-75. There was further evidence that publishers of Korean community newspapers in other parts of the United States and Canada were subjected to similar KCIA treatment.<sup>165</sup> Harassment took the form of threats to their lives, pressure on advertisers, and attempts at slander through charges of Communist affiliation.

At times the KCIA also attempted covertly to establish and/or fund both print and broadcast media which would present the Government and its policies in a favorable light. In the 1976 KCIA plan, reference was made to the establishment of a "black newspaper"<sup>166</sup> in New York, directed at Korean residents.<sup>167</sup> The subcommittee learned that a Korean-language newspaper, the Korea Post, was established in the spring of 1976 by Kim Chul at the suggestion of Kim Hyung Sup, a KCIA operative posing as a journalist at the United Nations.<sup>168</sup> Kim Hyung Sup secured funding from the Korean Exchange Bank in New York. He suggested to Kim Chul that the project had the approval of U.N. Ambassador Han Byung Ki, who was in a position to be "helpful in the future." However Kim Hyung Sup did not elaborate on what "help" Han might provide.

Kim Chul was unaware that he was being used by the KCIA and printed three issues of the Korea Post in the early summer of 1976. However, he had a dispute with Kim Hyung Sup over an article in the third issue, published June 1, which criticized the lending policies of the Korean Exchange Bank. Kim Chul closed the newspaper at that point rather than give up control over its content.<sup>169</sup>

The KCIA also attempted to discredit the anti-Park Chung Hee movement in the United States by publicizing its internal dissension. One such incident in the spring of 1977 involved a New York conference on repression in Korea. Although the sponsors of the conference wanted to maintain an appearance of solidarity, the KCIA pressured one Korean-language newspaper to publicize the fact that one participant, an American priest, left the conference because he found it too leftwing.<sup>170</sup> This appeared to be an example of Korean Government attempts to weaken anti-Park forces.<sup>171</sup>

<sup>163</sup> SIO-1, pp. 16-33.

<sup>164</sup> KI-5, pp. 86-90.

<sup>165</sup> Staff interview on Jan. 19, 1978 with Chung Kee Yong of the Han Min Shin Bo published in Arlington, Va. According to Yang Yung Man, former Vice-Consul in the ROK consulate in Toronto, a KCIA official, Park Shin Chun, instructed him to "dissolve the local Korean newspaper, New Korea Times." Vice-Consul Yang was asked to pressure a financial supporter of the newspaper to withdraw his support in order to drive it out of business. Rather than engage in harassment of the Korean community, however, Yang resigned in March 1978 and sought political asylum from the Canadian Government. (Based on staff interviews, Yang's personal statement, and other documents in the subcommittee's possession.)

<sup>166</sup> In KCIA terminology, a "black newspaper" is one which is covertly funded and controlled by the KCIA.

<sup>167</sup> KI-3, p. 135; see also appendix C-85.

<sup>168</sup> Staff interview with Kim Chul on Feb. 27, 1978. In a staff interview with former KCIA official Sohn Ho Young on Sept. 21, 1977, Sohn identified Kim Hyung Sup as a KCIA operative.

<sup>169</sup> Ibid.

<sup>170</sup> Staff interview with Michael McIntyre and Rev. Kim Sang Ho on June 17, 1977.

<sup>171</sup> The 1976 KCIA plan explicitly stated that the KCIA intended to disrupt anti-ROK Government Korean resident groups in the United States. See KI-3, pp. 116-119; see also appendix C-85.

Other KCIA efforts to control Korean-language media were conducted by Hahn Kwang Neun in Washington, D.C., who, according to a declassified summary of U.S. Government reports, was one of several Korean residents recalled to Seoul in late 1972 to be briefed on possible activities to influence U.S. opinion on the Yushin system.<sup>172</sup> Kim Sang Keun testified that Hahn had received financial support for the publication of a Korean-language newspaper called the *Hankook Shinmoon*, according to a "Plan to Properly Guide Korean Residents." This plan was drawn up at the Embassy in Washington in 1973 by Ambassador Kim Dong Jo and KCIA station chief Lee Sang Ho and approved in Seoul by the Foreign Ministry.<sup>173</sup> The newspaper was to counter the unfavorable influence of two anti-Government papers being published in the Washington area, the *Free Republic*, put out by Chang Sung Nam, and the *Hanmin Shinbo* of Chung Kee Yong. Hahn's paper was to be given a subsidy of \$3,000 a month for 1 year in the expectation that it would then be self-sustaining. The ultimate objective was for the paper to grow into a nationwide pro-Government publication.<sup>174</sup>

Hahn was not able to make the paper self-sufficient within a year, and the subsidy was continued. Although the plan was officially the Foreign Ministry's, Kim Sang Keun testified that after Lee Sang Ho returned to Seoul at the end of 1973 under pressure from the U.S. Government,<sup>175</sup> Lee sent the money through the diplomatic pouch to Kim for delivery. Kim could not recall the total sum, but he conveyed money from Lee to Hahn on six or seven occasions. In September 1974, he received \$56,000 from Lee for Hahn, the largest single sum Kim transmitted to Hahn. KCIA channels were used to transmit the money instead of Foreign Ministry channels because use of Foreign Ministry channels would have brought the transactions to the attention of more people.<sup>176</sup>

Hahn and the *Hankook Shinmoon* were specifically mentioned in the section of the 1976 KCIA plan calling for the use of media of Korean residents.<sup>177</sup> The same section of the plan also called for manipulating the *Washington Observer*, an English-language publication of Hahn's by getting it to hire an American reporter whom it would then influence. In 1976, Hahn did hire an American reporter on a trial basis for several months beginning in July or August, but he did not work out.<sup>178</sup>

Hahn departed for Korea on 1 day's notice in November 1976, shortly after the *Tongsun Park* scandal broke in the U.S. press, and the subcommittee was unable to question him about his activities.<sup>179</sup> He has not yet returned, even though his family still lives here.

Lee Kwang Jae, another Washington area, Korean-language media figure, was also used by the ROK Government. Lee had become involved in several Korean-language TV and radio broad-

<sup>172</sup> See "Part C-III: Executive Branch Awareness of Questionable Korean Activities," pp. 44-146.

<sup>173</sup> KI-5, pp. 64-65.

<sup>174</sup> KI-5, pp. 64-65; staff interview with Kim Sang Keun.

<sup>175</sup> Former Ambassador Richard Sneider testified before the subcommittee that the State Department pressured the ROK Government to recall Lee Sang Ho and that he was withdrawn as a result of this pressure in January of 1974. See KI-5, pp. 46-48.

<sup>176</sup> KI-5, p. 65.

<sup>177</sup> KI-3, p. 129; see also appendix C-85.

<sup>178</sup> Interview with Kim Tong Hyon on Nov. 15, 1977.

<sup>179</sup> Ibid.

casting ventures in the Washington area since 1973, after he finished a 2-year contract with the Voice of America that had brought him to this country.<sup>180</sup> Lee Kwang Jae and his "Washington Korean TV" were listed in the section of the 1976 KCIA plan calling for use of Korean residents' media.<sup>181</sup> In an interview with subcommittee staff, Lee insisted that he never received any support from the Korean Government for any activities.<sup>182</sup> However, Kim Sang Keun stated that Lee received small sums of money from Foreign Ministry sources on an irregular basis as part of the "Plan To Properly Guide Korean Residents." Furthermore, a former high ranking official at the Korean Embassy informed the subcommittee staff that in late 1973 or early 1974, he personally received \$20,000 through the diplomatic pouch. Shortly thereafter, Han Nam Suk, Director of the Overseas Affairs Bureau of the Ministry of Culture and Information, asked for the money to give to Lee to support his broadcasting activities. When the official objected to paying the money to Lee, Han told him that Lee had connections in the Blue House and that the decision had been made there. The official then took his objections to Ambassador Hahn Pyong Choon, who refused to take any responsibility but acquiesced when the official suggested that monthly payments would be the best way to insure the money was used to support broadcasting. Lee then received monthly payments of \$1,500 each.<sup>183</sup>

From October 6, 1974 to November 30, 1974, Lee's Korean Broadcasting, Inc., provided a program called "Korean Hour" which was aired by WETA, a Public Broadcasting System television station in the Washington area. The programing was handled by the Government-owned Korean Broadcasting System (KBS) for which Lee had worked for about 20 years. Although the content was to be cultural and not political, WETA soon discovered that each program contained 10 minutes of news. For a variety of reasons—which included WETA's inability to control a Korean language program the could not understand, the "legal and ethical problems" posed by "programs made in a foreign language by a foreign government, and the financial problems caused by the complexities of airing this particular program—WETA decided to discontinue it.<sup>184</sup>

According to Fred Flaxman of WETA, when Lee was informed there were financial obstacles to continuing the program, he came to Flaxman's office with a check for \$7,800. By this time, however, the decision was final.<sup>185</sup>

Lee denied producing the check but allowed that he might have promised to raise the money in his eagerness to convince Flaxman to continue the program.

On July 2, 1975, Lee received two checks totaling \$20,000 from the Little Angels account of the Korean Cultural and Freedom Foundation.<sup>186</sup> According to the books of the KCFF, these checks

<sup>180</sup> See p. 306 of this section of the report.

<sup>181</sup> KI-3, p. 129; see also appendix C-85.

<sup>182</sup> Interview with Lee Kwang Jae on Jan. 12, 1978

<sup>183</sup> Confidential staff interview of Aug. 14, 1978.

<sup>184</sup> Letter dated Jan. 15, 1975 from Fred Flaxman to Lee Kwang Jae.

<sup>185</sup> Staff interview with Fred Flaxman on Dec. 7, 1977.

<sup>186</sup> See p. 338 of this section of the report.

represented repayment of a loan made by Lee to the KCFF in Korea. Subcommittee staff questioned Lee about these checks because they suggested that Lee's broadcasting activities were being funded by the KCFF or even by the ROK Government through the KCFF. According to Lee, in 1975 he sold some land in Korea, but had no legal way to take the money out of the country. At that point, he read about a groundbreaking ceremony for the Little Angels School. Lee knew Pak Bo Hi vaguely as a prominent man in Washington and asked him if he would accept \$20,000 in Korean money for use in connection with the school, to be repaid later in dollars. Although they were not well acquainted, Pak readily did him this favor, even though it was a clear violation of the Korean foreign exchange law. Lee stated that he then used the money to purchase a house in the Washington area. He was completely unable to explain why he received the money in two checks on the same account on the same day drawn by the same person instead of receiving one check. He also could not explain why he had endorsed one of the checks over to Judith LeJeune, the KCFF official who had made out the checks.<sup>187</sup>

#### EFFORTS TO INFLUENCE U.S. MEDIA

The ROK effort to influence U.S. news reporting on Korea was multifaceted. It included intimidation and expulsion of U.S. correspondents from Korea, offers to journalists of expense-paid trips to Korea, editing or outright censorship of Voice of America broadcasts and U.S. news publications available in Korea, and an offer of money to a high-ranking VOA official by a Blue House presidential adviser.

##### *Voice of America*

In the late 1960's, U.S. news on Korea was broadcast into the ROK through Korean-language programs of the Voice of America from transmitters in Okinawa. These broadcasts, produced at VOA facilities in Washington, D.C. by its Korean Service, were also relayed live over the Government-owned Korean Broadcasting System (KBS) and over several commercial stations in Korea. This enabled VOA to increase considerably its listenership in the ROK.<sup>188</sup>

The subcommittee was told that in late 1969 and early 1970, United States Information Service (USIS) officials in Seoul became concerned that news broadcasts relating to Korea were being altered. Both the political affairs and press officers at the U.S. Embassy in Seoul at that time speculated that the news broadcasts were being changed either during translation of the news script from English to Korean or during the announcement of the news.<sup>189</sup> The officials' concern was expressed in classified letters and cables to the U.S. Information Agency's (USIA) Office of Secu-

<sup>187</sup> Interview with Lee Kwang Jae on Jan. 12, 1978.

<sup>188</sup> Interviews with VOA officials, both former and current.

<sup>189</sup> Interview with Clyde Hess on July 27, 1978.

rity in Washington, D.C., in January and February 1970.<sup>190</sup> One letter, dated January 27, stated:

\* \* \* we suspect \* \* \* they [VOA translators] are changing the thrust of items on Korea to conform to ROKG policies. We feel that on occasion they may be adding to the copy \* \* \* or sometimes softening or hardening the English terms as the result of ROK embassy 'guidance.'<sup>191</sup>

One example cited by the officials was that of substituting the phrase "excess combat activity" for the word "atrocities" in a story on ROK troops in Vietnam.<sup>192</sup> Despite these concerns, an in-house VOA investigation in April 1970 exonerated the Korean Service of any improprieties.<sup>193</sup>

Later that month, on April 28, USIA received the first of a series of cables indicating that the Korean Government viewed KBS staff members working at VOA in Washington to be under its direction. It also noted that the ROK Government was pressuring VOA to use one KBS announcer, Lee Kwang Jae, as the sole announcer of all television programs produced by USIA for Korean television. Further, Lee had asked Chung Il Kwon, the Korean Prime Minister, to intercede on his behalf to insure this position at VOA rather than that of another staff member.<sup>194</sup>

Involvement of the Prime Minister was felt by the USIS officials to be a "delicate matter." An April 28 cable noted their concern:

This is extremely delicate matter. Involvement of PM's office now makes it even more so. However, fact that ROKG pushed so long and so hard to obtain appointment for Lee Kwang Jae plus fact that VOA listenership here extremely marginal suggests to us that ROKG may not see Lee as VOA employee only or VOA job may provide cover.<sup>195</sup>

Despite this concern, VOA eventually hired Lee.

In late May, the ROK Government again attempted to pressure USIA to use only Lee Kwang Jae on its television programs and on VOA news broadcasts prepared by the Korean Service. The request, made by the Minister of Culture and Information through Lee Jai Hyon, chief cultural and information attaché at the Embassy in Washington, went to Frank Shakespeare, Director of USIA. He rejected the request in a return letter dated June 9, 1970.<sup>196</sup>

A high-ranking USIA official looking into the matter decided that it was too sensitive for USIA to handle and concluded, in a memo dated May 4,

that if the same set of circumstances occurred in an Iron Curtain country he would have no hesitancy at all in recommending a full IOS [Internal Office of Security at USIA] investigation, but to the contrary it has occurred with an ally and on a high

<sup>190</sup> Documents viewed by subcommittee staff on July 26, 1978.

<sup>191</sup> Letter from Political Affairs Officer Daniel Moore to Daniel Oleksiw, Assistant Director (USIA) East Asian and Pacific. See appendix C-199.

<sup>192</sup> This example and others were cited in an internal Office of Security memos dated Feb. 2, and Mar. 19, see appendixes C-200 and C-201.

<sup>193</sup> In-house investigation determined that cases were isolated and not part of a conspiracy. This investigation consisted of an examination of the English-language translations of the Korean-language VOA broadcasts in Seoul. These translations were then compared with the original English-language transcripts. The recordings of the Korean-language broadcasts were not listened to for fear that the Korean staff members at VOA would know they were under investigation. See appendixes C-200, C-201.

<sup>194</sup> See appendix C-202.

<sup>195</sup> See appendix C-202.

<sup>196</sup> Frank Shakespeare's letter to Lee Jai Hyon is printed in appendix C-203.

governmental level and therefore should be handled administratively and circum-spectly if at all possible.<sup>197</sup>

Despite allegations from USIS officials in Korea of alterations of VOA broadcasts to Korea and concern that Lee might be using his job at VOA as a ROK Government "cover," no full investigation was ever undertaken, nor was a report sent to any other executive branch agency.<sup>198</sup>

Several months later, on October 20, 1970, Han Gi Uk, an adviser to Park Chung Hee in the Blue House, approached a high-ranking official in the Far East and Pacific Division of VOA, a division which included, among other units, the Korean Service.<sup>199</sup>

This official, who had served earlier in the U.S. Embassy in Seoul, told the subcommittee that he interpreted Han's offer as an attempt to bribe him to make VOA news content favorable to the Korean Government.<sup>200</sup> He reported the incident to the USIA Office of Security which notified FBI Director J. Edgar Hoover in a letter dated November 3, 1970. This letter stated that Han said Minister Yoon Seung Kook, KCIA station chief at the ROK Embassy in Washington, "had lots of money to spend" and could help the official if he wanted.<sup>201</sup> There was no FBI response to this letter at USIA indicating whether or not the Bureau looked into the matter.

According to former and present employees of VOA, the ROK Government was extremely sensitive to VOA news broadcasts critical of the Government or Park Chung Hee's domestic policies.<sup>202</sup> On occasion, KBS threatened to and did cut off its relays of live broadcasts of VOA programs when they contained such news stories. USIA documents revealed that one such incident occurred at the time of the 1971 Korean elections. Further, following VOA reporting of criticism of the Yushin constitution within the United States in the fall of 1972, the KBS initiated a policy of taping and censoring VOA broadcasts before airing them on KBS. Finally, in 1973, after VOA reported the kidnaping of Kim Dae Jung, KBS ceased broadcasting VOA programs altogether and pressured all private radio stations to do the same.<sup>203</sup> Because of this decision, as of 1978, VOA programs—for broadcast to both the DPRK and ROK—can only be received via a weak, shortwave signal from the Philippines.<sup>204</sup>

As part of the ROK Government's efforts to control media reporting on Korea, in March 1975 it amended the criminal code to make it a crime punishable by up to 7 years imprisonment for a Korean citizen to say anything which might harm the welfare of or defame the ROK while abroad or to a foreigner. VOA officials

<sup>197</sup> Internal Office of security memorandum, dated May 4, 1970, from Brian C. Dowling to Paul D. Mason.

<sup>198</sup> No investigation of this was undertaken despite speculation in a memorandum dated Feb. 26, 1970, that Lee might be an "inside man for the ROK CIA." See appendix C-200.

<sup>199</sup> Han Gi Uk was in the United States at the time to negotiate with Encyclopaedia Britannica to publish a laudatory book about President Park Chung Hee, to be ghostwritten by Han. (Staff interview with a former official at VOA.) Col. Pak Bo Hi, principle aide to Sun Myung Moon, testified before the subcommittee that arrangements for this book were coordinated with the Korean Cultural and Freedom Foundation. See KI-4, pp. 463-465.

<sup>200</sup> Staff interview with a former VOA official.

<sup>201</sup> A sanitized version of this letter is printed in appendix C-204.

<sup>202</sup> Staff interviews with former and present VOA officials.

<sup>203</sup> Staff interviews with former and present VOA officials. See also exchange of letters between James Keogh, Director, USIA and Congressman Donald Fraser, printed in "Human Rights in South Korea \* \* \*" reprinted in appendix C-205. See also letter from General Counsel of ICA dated Oct. 27, 1978, appendix C-206.

<sup>204</sup> Staff interviews with VOA officials.

feared that Korean citizens on the staff of its Korean Service might be called upon to broadcast a VOA news story which would put them in violation of the law. As a result, VOA adopted a policy of using only U.S. citizens for news broadcasts relating to Korea and stories critical of the Government.<sup>205</sup>

### *Foreign press censorship and harassment in Korea*

Although there had been some censorship of foreign news entering the ROK for a number of years, it had usually involved the distortion of statements by U.S. Government officials to assure the Korean people that the positions of the Korean and American Governments were not contradictory. A State Department cable dated May 19, 1961, 4 days following the military coup, cited an example "typical of [the] distortion of USG's position which [is] being spewed through Korean press." It was an article that reported incorrectly that the U.S. Government welcomed the resignation of Chang Myon and was prepared to recognize the military government.<sup>206</sup>

Korean media published extensively U.S. media accounts favorable to the Government. The U.S. Government was aware of one example of this which occurred at the time of the promulgation of the Yushin constitution in October 1972. The Korean media distorted and then publicized broadly statements by U.S. Congressmen to demonstrate U.S. Government approval of the constitution.

Similarly, it was common for the Government-controlled press to cite favorable editorials written by private individuals, or even letters to editors in the U.S. print media, as being the position of the U.S. newspaper, thus giving the appearance of U.S. media support for Korean Government policies.

Since the implementation of the Yushin constitution, the nature of censorship over foreign press reporting in Korea changed both quantitatively and qualitatively. The subcommittee saw instances where individual sentences and even entire pages of material critical of the Government were removed from the United States and Japanese weekly news magazines. Issues in libraries of U.S. military installations containing critical stories had to be locked up lest they be stolen or censored.<sup>207</sup>

This censorship appeared to have abated somewhat in mid-1977. The subcommittee received reports that U.S. news magazines were no longer being edited by Korean censors.<sup>208</sup>

A survey of U.S. correspondents working in Korea, done for the subcommittee by the Congressional Research Service, revealed clearly that they were hampered by the Korean Government in the course of news-gathering in Korea. Persons with whom they wanted to speak were harassed and intimidated. Some correspondents were denied ROK Government assistance while reporting in Korea. A prominent correspondent interviewed by the subcommittee staff corroborated this information.<sup>209</sup>

<sup>205</sup> Staff interviews with VOA officials.

<sup>206</sup> This cable appears in appendix C-3.

<sup>207</sup> Confidential staff interview.

<sup>208</sup> Ambassador Richard Sneider testified before the subcommittee about this media censorship. See KI-5, pp. 37-38.

<sup>209</sup> Staff interview with Richard Halloran, correspondent with the New York Times.

At the same time that the ROK Government sought to intimidate those correspondents it considered to be anti-Park Chung Hee, it invited other correspondents and broadcasters to visit the ROK, paying all their expenses. The larger U.S. newspapers, however, have a general policy of not accepting trips from foreign governments.

The emergency measures of 1974<sup>210</sup> were designed in part to hamper foreign media from reporting objective stories from Korea. The Ministry of Culture and Information announced in January of that year that the measures, which prohibited reporting on acts which violated them, would apply to foreign correspondents as well as Korean citizens.

In the spring, the Government reportedly intensified its efforts to control foreign media in Korea. It drafted a "blacklist" of undesirable foreigners, principally correspondents, who were to be denied new visas; the visas of others were to be canceled. Still others would be allowed into the ROK but would be watched carefully.<sup>211</sup>

A week after the list was compiled, the visa of one U.S. correspondent, Elizabeth Pond of the Christian Science Monitor, was canceled. Due to publicity in the Japanese media over the list in the fall of 1974, no other visas were affected until February 1978, when John Saar, an Austrian citizen writing for the Washington Post, was denied one.

The subcommittee learned from a former high-ranking Korean consular official that the blacklist was also maintained by Japanese consulates in the United States at the request of the Korean Government.<sup>212</sup> According to this official, whenever a person on the list applied for a Japanese visa, consular officials consulted with the Japanese Foreign Ministry in Tokyo, which in turn asked the Korean Embassy there for approval to issue the visa. The Korean Government made this request in order to control the activities of individuals believed to be associated with anti-Government Korean groups in Japan.

The subcommittee questioned the U.S. State Department about this matter and received the following reply:

It is not unusual for visa-granting and immigration authorities of countries to maintain lists of persons they deem may be ineligible or require special screening or entry into their countries under the law. Nor is it unusual for immigration authorities of various countries to share such information with other countries where appropriate. The United States maintains such a visa lookout list, and where appropriate, shares information with other countries.<sup>213</sup>

In 1975, other laws were enacted in the ROK which hampered foreign correspondents. As noted earlier, in March the criminal code was amended to make it a crime punishable by up to 7 years imprisonment for a Korean citizen to say anything which might harm the welfare of or defame the ROK while abroad or to any foreigner in Korea. Emergency Measure No. 9, decreed in May, made it an offense punishable by a minimum of 1 year in prison to

<sup>210</sup> See "Part B: Review of Korean-American Relations," p. 40.

<sup>211</sup> This list appears in Stu Cohen and Jeffrey Stein, "The South Korean Papers," *The Boston Phoenix* (Oct. 11, 1977) pp. 20-22. Kim Sang Keun testified that he had seen a similar list at the ROK Embassy in Washington which was sent from KCIA headquarters in Seoul. KI-5, pp. 5-69.

<sup>212</sup> Confidential staff interview.

<sup>213</sup> Contained in a letter dated June 8, 1978 from the Department of State to Congressman Ronald Fraser.

oppose or criticize the Yushin constitution.<sup>214</sup> Because most U.S. news organizations relied on stringers who were Korean citizens, these repressive measures seriously hampered news gathering.

### *Other attempts to influence U.S. media*

During 1975 and 1976 the ROK Government and KCIA planned to step up public relations efforts aimed at the U.S. media. Activities in the United States were to be put under the control of Han Byung Ki, Korean Ambassador to the United Nations and son-in-law of President Park Chung Hee.<sup>215</sup> One former high-ranking ROK consular officer told the subcommittee that Han directed consular officials to contact representatives of the U.S. media and offer them trips to Korea, all expenses paid.<sup>216</sup> The 1976 KCIA plan also recommended influencing U.S. media personnel, both broadcast and print, particularly by offering invitations to the ROK.<sup>217</sup>

The subcommittee learned that such offers were made to correspondents at the Christian Science Monitor, Philadelphia Enquirer, and Chicago Daily News.<sup>218</sup> The subcommittee talked with each individual targeted in the 1976 plan and learned that each, in fact, had received an offer. In the case of one columnist, the invitation was accepted. He met with high-level officials in Seoul, including President Park Chung Hee, and received briefings on the current political and military situation in Korea.<sup>219</sup> The subcommittee was aware that other U.S. media personnel had also been offered and had accepted trips.

The subcommittee does not intend to imply that any correspondent was improperly influenced. It is of the opinion, however, that acceptance of Government-sponsored trips to South Korea makes it difficult to maintain the type of relationship required for objective reporting.

The subcommittee also learned that attempts were made to use U.S. media for political purposes. Sometime between 1970 and 1972 according to a noted East Asian specialist at Harvard University he was visited by Dr. Joungwon A. Kim, an acquaintance and Harvard law student. After praising the professor's grasp of East Asian affairs and noting that it would be a good thing if Time or Newsweek were to do a cover story on President Park, Kim said he was sure the professor could arrange for such a story. Surprised the professor said it was impossible. Kim repeated that he was sure the professor could do it and that the ROK Government would be grateful. After the professor refused again, Kim said that friendly sources in the Government would express their gratitude by giving him \$50,000. The professor expressed astonishment, and the conversation was terminated.<sup>220</sup> When questioned about this matter, Kim denied any connection with this incident and stated that the Harvard professor must have confused him with someone else.<sup>221</sup>

<sup>214</sup> See "Part B: Review of Korean-American Relations," p. 40.

<sup>215</sup> See "Part C-III: Executive Branch Awareness of Questionable Korean Activities," p. 15.

<sup>216</sup> Confidential staff interview.

<sup>217</sup> KI-3, p. 129; see also appendix C-85.

<sup>218</sup> Staff interviews with officials at these newspapers.

<sup>219</sup> Confidential staff interview.

<sup>220</sup> Confidential staff interview. This incident was later described in a New York Times article of Dec. 16, 1976.

<sup>221</sup> Staff interview with Joungwon A. Kim on Jan. 16, 1978.

The 1976 plan proposed the use of anti-Communist groups such as the Freedom Leadership Foundation<sup>222</sup> and Accuracy in Media (AIM) to discredit organizations and individuals felt to be "pro-North" in the Korean-American community.<sup>223</sup> An early example of this occurred in 1971. Freedom Leadership Foundation used its publication, *The Rising Tide*, to discredit a Korean-American scholar in the same manner as proposed in the Plan. The article in *The Rising Tide* specifically referred to the scholar as "pro-communist" and suggested that he was a danger to U.S. security.<sup>224</sup>

### CONCLUSION

During the past decade, the ROK Government concerned about its image in the mass media at home and abroad, took various measures to improve that image. Within Korea, these measures took the forms of tight censorship of the ROK print and broadcast media, at times by placing a KCIA official in their offices. Further, since the early 1970's the Government tightly restricted access to foreign news sources by Korean citizens and made it more difficult for Koreans to receive Voice of American Korean-language broadcasts. In addition, it censored passages from foreign publications.

In order to improve its image abroad, the Government sought to ingratiate itself with foreign correspondents by KCIA offers of all expense paid trips to Korea. At the same time, it denied entry to others believed to oppose it and hindered news gathering of still others already in Korea.

Efforts to improve the image of the Government internationally included enactment of harsh laws in Korea designed in part to limit contact between foreign correspondents and Korean citizens. One 1975 law carried a maximum 7-year prison sentence for Koreans who criticized the Government to foreigners or foreign organizations.

Within the United States-Korean community, the ROK and KCIA established and funded newspapers and radio and television broadcasts to give favorable commentaries. Publishers of critical newspapers were blatantly harassed and intimidated by the KCIA in cities across the country.

### THE MOON ORGANIZATION

#### *Introduction*

During its 1976 investigation of KCIA activities in the United States, the subcommittee received numerous allegations concerning Sun Myung Moon<sup>225</sup> and organizations associated with him. By that time, Moon and the Unification Church (UC) had generated controversy throughout the United States over a variety of issues. Many Americans were distressed by the recruitment techniques of the UC. Others questioned the failure of the UC to state openly its ties with the numerous groups it had set up; the use to which it

<sup>222</sup> The Freedom Leadership Foundation (FLF) is discussed in "The Moon Organization" section, pp. 319-320; 343-346.

<sup>223</sup> KI-3, p. 118; see also appendix C-85. The names of FLF and AIM were deleted from the original published version of the 1976 KCIA plan.

<sup>224</sup> Confidential staff interview.

<sup>225</sup> Although Sun Myung Moon's followers refer to him as "Reverend," the subcommittee has no information as to whether he was ever formally ordained.

put its tax-exempt status; the propriety of its owning and operating an armaments plant in South Korea; possible links to the South Korean Government; and Moon's statements in late 1973 and 1974 concerning President Nixon and Watergate. The most volatile controversy raged around the charges that "Moonies" were brainwashed. The UC in turn countercharged that parents were kidnapping UC members for "deprogramming" and successfully obtained court orders restricting the activities of the deprogrammers.

Among the witnesses who testified before the subcommittee in 1976 was Lee Jai Hyon, a former official of the ROK Government who had been stationed at the Korean Embassy in Washington.<sup>226</sup> Lee described what appeared to him to be "a curious working relationship"<sup>227</sup> involving the Korean Government, the UC, and other organizations associated with Moon. Lee said that Pak Bo Hi, Moon's aide and translator and president of the Washington-based Korean Cultural and Freedom Foundation (KCFF), had access to the Korean Embassy's cable channel to Seoul; that KCIA agents at the Embassy maintained contact with the Freedom Leadership Foundation (FLF), another Moon-related organization in Washington; that Moon had founded the "Little Angels," a Korean children's dance troupe which had appeared around the world as official representative of the Korean Government; that South Korean President Park Chung Hee had mailed out 60,000 letters on behalf of the KCFF; and that Moon operated an anti-Communist indoctrination center in Korea for Korean Government employees and military officers. Lee also pointed to Moon's rise to wealth and prominence under the Park regime and suggested that this could only have occurred with the active cooperation of the KCIA and other branches of the Government.

Alan Tate Wood, a former UC member who had been president of the FLF, described to the subcommittee some of Moon's political ambitions and activities. He said that Moon, through the UC and its numerous front organizations, wanted to acquire enough influence in America to be able to "dictate policy on major issues, to influence legislation, and move into electoral politics."<sup>228</sup> In the United States, the political goals of the UC and those of the KCIA "overlap so thoroughly as to display no difference at all."<sup>229</sup> Wood also charged that Moon was violating U.S. laws by importing aliens to raise funds and that fundraising by UC members was often done under false pretenses.

Another witness, Robert Roland,<sup>230</sup> described his friendship with Pak Bo Hi when Pak was a military attaché at the Korean Embassy in Washington in the early 1960's. According to Roland, Pak was then engaged in intelligence liaison work and was also proselytizing for Moon and the UC. Pak told Roland of his plans to use the KCFF and one of its projects, the Little Angels, to advance Moon's cause, as well as to help the Korean Government.<sup>231</sup>

The subcommittee heard a former UC member, Chris Elkins describe political activities in which he had engaged for the FLF

<sup>226</sup> Lee's testimony is also discussed on pp. 96-97 of this report.

<sup>227</sup> SIO-II, p. 9.

<sup>228</sup> SIO-II, p. 21.

<sup>229</sup> SIO-II, p. 21.

<sup>230</sup> SIO-II, pp. 14-20. Roland, a former airline pilot, was one of the original members of the board of directors of the KCFF.

<sup>231</sup> SIO-II, p. 30.

These included working on a congressional election campaign, lobbying for South Korean military aid bills, and staging demonstrations. Elkins said that many of Moon's activities in the United States were designed to impress the Korean Government with his importance.<sup>232</sup>

During 1976, the subcommittee also received information about an apparent attempt by Moon and his followers—along with Tong-un Park—to buy a controlling interest in the Diplomat National Bank (DNB), which opened in Washington D.C., in December 1975. Neil Salonen, president of the UC of America, was called to testify concerning this and other allegations. Salonen said he had bought DNB stock at the suggestion of Pak Bo Hi, but denied the UC was in any way involved in financing the DNB stock purchases.<sup>233</sup>

### *Use of the term "Moon Organization"*

By April 1977, when the Investigation of Korean-American Relations began, although the subcommittee had received a wide variety of specific allegations concerning Moon and the organizations associated with him, the subcommittee had little understanding of the scope and nature of his movement. It soon became apparent that he was the key figure in an international network of organizations engaged in economic and political as well as religious activities. The numerous churches, businesses, committees, foundations, and other groups associated with Sun Myung Moon emerged as parts of what is essentially one worldwide organization, under the centralized direction and control of Moon. This organization began as a small movement started by Moon in Korea in 1954. In the diversity of its functions and basic organizational structure it now resembles a multinational corporation, involved in manufacturing, international trade, defense contracting, finance, and other business activities. However, it goes beyond that in that it encompasses religious, educational, cultural, ideological, and political enterprises as well. In the training and use of lower ranking members, it resembles a paramilitary organization, while in other respects it has the characteristics of a tightly disciplined international political party.

Among the many organizations there is continuous and close interaction, principally in the form of personnel moving back and forth among organizations, intermixed finances, use of one component or another component as if both were one and the same, and, of course, the figure of Moon. Because of the close interrelationship of the various organizations, the subcommittee came to view them as one unit and refers to them in the aggregate as the Moon organization in this report.

### *Goals of Moon*

Before reviewing the components and activities of the Moon Organization, it is useful to look at various writings and speeches of Moon in which he discusses the goals of his movement and the

<sup>232</sup> SIO-II, p. 49.

<sup>233</sup> Testimony of Neil Salonen, executive session hearings before the Subcommittee on International Organizations, Sept. 30, 1976.

means required to achieve them. Within that context, the Moon Organization becomes more comprehensible.

In many public statements and in applications for tax-exempt status, the goals of the Moon movement are said to be religious. Actions which appeared to be clearly political or economic to outsiders were explained as necessary means to achieve religious goals. The apparent contradictions in many of the activities of the Moon Organization are explained by Moon's overriding religious goal—to establish a worldwide "theocracy," that is, a world order which would abolish separation of church and state and be governed by the immediate direction of God. As Moon explained to his followers:

\* \* \* In the Medieval Ages, they had to separate from the cities—statesmanship from the religious field—because people were corrupted at that time. But when it comes to our age, we must have an automatic theocracy to rule the world. *So, we cannot separate the political field from the religious.*

\* \* \* Separation between religion and politics is what Satan likes most. (Italic added.)<sup>234</sup>

At the center of such a state would be Moon and his organization, based in Korea. In another speech, delivered to a crowd of over a million at an anti-Communist rally in Korea, Moon visualized the establishment of a "unified civilization" of the whole world, to be centered in Korea and "corresponding to that of the Roman Empire."<sup>235</sup>

Moon teaches American UC members to regard Korea with great reverence and he foresees the day when the Korean language will be spoken throughout the world:

In order to set up one culture, we must unify the languages into one \* \* \* In the ideal world centered upon God, everyone will speak only Korean, so no interpreter will be necessary.<sup>236</sup>

Moon promises to use his trained followers from around the world on behalf of South Korea in case of war, as he proclaimed at a public rally near Seoul:

\* \* \* in case North Korea provokes a war against the South Korean people, the [UC members] believe it is God's will to protect their religious fatherland to the last to organize the Unification Crusade Army, and to take part in the war as supporting force to defend both Korea and the free World.<sup>237</sup>

Anti-communism is one key reason for Moon's espousal of a worldwide theocracy and rejection of some of the most fundamental tenets of American democracy. Moon finds "American-style democracy" to be "a good nursery for the growth of Communism."<sup>238</sup> In a speech in Seoul, Moon proclaimed that God was helping to set up a final battle involving the United States, Russia, China, North Korea, South Korea, and Japan. Illustrative of the stridency of his ideology, he said: "We should defeat Kim Il Sun [President of North Korea], smash Mao Tse-tung, and crush the Soviet Union in the name of God."<sup>239</sup>

<sup>234</sup> Master Speaks, May 17, 1973, p. 12. The Master Speaks is an internal publication of the Unification Church, containing verbatim translations of numerous speeches by Moon, see appendix C-212.

<sup>235</sup> Master Speaks, June 7, 1975, p. 6, see appendix C-226.

<sup>236</sup> Master Speaks, Nov. 17, 1974, p. 6, see appendix C-223.

<sup>237</sup> Master Speaks, June 7, 1975, p. 6; see appendix C-226.

<sup>238</sup> New Hope News, Mar. 10, 1975, p. 7. The New Hope News is an internal publication of the Unification Church; see appendix C-243.

<sup>239</sup> Master Speaks, June 7, 1975, p. 5; appendix C-226.

To achieve his theocracy, Moon has mapped out strategies for gaining control and influence over economic, political, cultural, academic, media, and religious institutions. The efforts of the Moon Organization are to be concentrated on key nations.

If we can manipulate seven nations at least, then we can get hold of the whole world: the United States, England, France, Germany, Soviet Russia, and maybe Korea and Japan. On God's side, Korea, Japan, America, England, France, Germany, and Italy, are the nations I count on in order to gain the whole world.<sup>240</sup>

Moon's strategy is designed to influence a wide range of institutions. "We must approach from every angle of life; otherwise, we cannot absorb the whole population of the world. We must besiege them."<sup>241</sup>

In the economic sphere, Moon foresees the emergence of a system which would respond to centralized control:

This system should eventually prevail so overwhelmingly, that even in Japan and Germany, the people will not buy products from their own country, but will buy according to centralized instructions. What kind of system of thought or economy can function to give these centralized instructions? Religion is the only system that can do that. So in the future, this system of thought or system of economy will have a close relationship with religious organizations. Our master is going to prepare for this system of economy.<sup>242</sup>

In the political field, Moon has spoken of using a variety of techniques to achieve world influence. He hopes to found a political party: "My dream is to organize a Christian political party including the Protestant denominations and Catholics and all the religious sects."<sup>243</sup> Activities in cultural, academic, and other fields are ultimately designed to create political influence and temporal power. Cultural and educational projects are part of his organization's overall goal of controlling major institutions in the U.S. and other key nations and influencing political decisions and policies. In a January 1973 speech, Moon spoke of the necessity of establishing universities in seven key nations, including the U.S., and of organizing international conferences at which cultural groups like the Little Angels would perform.<sup>244</sup> He made it clear that influencing professors, scientists, and economists would be followed by direct influencing of political figures:

After that, beyond what the professors will be able to do by influencing the policies of the country, we will work directly with those people who, under every government now, make the policies—the congressmen, senators and parliament members—by organizing the World Congressmen's Association. For that purpose we are working hard in Japan.<sup>245</sup>

Moon has often told his followers to expect opposition to the goals he sets for them, but he assured them of ultimate "victory." In one 1974 speech, he noted that up to that time, opposition to his movement had gone unpunished. This, he promised, would change:

\* \* \* so far the world can be against us and nothing happened. Now when they are against us then they are going to get the punishment. So from this time \* \* \* every people or every organization that goes against the Unification Church will

<sup>240</sup> Master Speaks, June 9, 1974, p. 9; see appendix C-217.

<sup>241</sup> Master Speaks, Jan. 30, 1973, p. 7; see appendix C-211.

<sup>242</sup> Master Speaks, Jan. 2, 1972, p. 4. In many speeches Moon is referred to in the third person by the translator, and is at various times called "Master," "Father," and "Our Leader." See appendix C-210.

<sup>243</sup> Master Speaks, May 17, 1973, p. 12; see appendix C-212.

<sup>244</sup> Master Speaks, Jan. 30, 1973, pp. 5-6; see appendix C-211.

<sup>245</sup> Master Speaks, Jan. 30, 1973, pp. 5-6; see appendix C-211.

gradually come down or drastically come down and die. Many people will die—those who go against our movement.<sup>246</sup>

Moon based his movement on a church because it provides the greatest opportunity for reaching his goals. A UC publication discussed a change in the American organization's name from "United Family" to "Unification Church," noting that "The reason for the change is that we must ultimately have our effect on the institutions of society."<sup>247</sup> It is important to Moon's strategy to have his movement recognized as a religious one. An ex-UC member stated:

The teachings of Sun Myung Moon were often referred to by other members as an "ideology" that would change the political systems of the world. It was made clear to me that so long as the church-related aspects of the group were emphasized Moon's followers would be in a protected position as far as first amendment religious freedom was concerned, and be able to take advantage of tax laws as well.<sup>248</sup>

### *Components of the Moon Organization*

The evolution of the Moon Organization has been in keeping with the worldwide goals expressed by its head. Initially, it consisted of the "Holy Spirit Association for the Unification of World Christianity," the precursor of the Unification Church.<sup>249</sup> This was followed by cultural, political, and economic organizations, each of which in turn was able to spawn its own, separately named projects, committees, and substructures.<sup>250</sup> In many cases, the ties of the subordinate organizations to the UC were carefully hidden.

For the sake of analysis, these groups can be viewed as falling into one of three categories. The first are those whose major function is to attract new members to the UC, though their relationship with the UC may be hidden. CARP (Collegiate Association for the Research into Principles); Creative Community Project (formerly known as New Education Development Systems, Inc. and the International Re-Education Foundation); the Center for Ethical Management and Planning; and the One World Crusade are among them.

A second category consists of groups which focus on the secular goals of Moon and the UC. Examples are the International Cultural Foundation, which has sponsored annual international science conferences on the "unification" of science; the Korean Cultural and Freedom Foundation; and the Freedom Leadership Foundation.

The final category includes economic enterprises, ranging from multi-million dollar industries to small retail stores.

The origin and activities of the major components of the Moon Organization are described below.

### *Unification Church*

In 1954, Sun Myung Moon and a small group of his followers founded the Holy Spirit Association for the Unification of World

<sup>246</sup> Master Speaks, Feb. 14, 1974, p. 15; see appendix C-214.

<sup>247</sup> New Age Frontiers, January 1971, p. 17. New Age Frontiers was an early publication of the Unification Church. See SIO-II, p. 36; see appendix C-228.

<sup>248</sup> Statement of Linda Anthenian, p. 1; see appendix C-297.

<sup>249</sup> This is still the formal name of the Unification Church.

<sup>250</sup> A listing of Moon front organizations was put in the Congressional Record by Senator Robert Dole (Cong. Rec., Mar. 25, 1976, S54246).

Christianity (HSAUWC) in Korea. Through this group, Moon preached his interpretation of the Bible; many of his doctrines were summarized and expounded as The Divine Principle, which is essentially Moon's gospel. Although Moon's teachings were not accepted by traditional Christian churches in Korea, his movement attracted enough converts to enable it to expand beyond South Korea beginning in the late 1950's.

Moon sent one of his followers, Choi Sang Ik, as a missionary to Japan to establish the movement there; another follower, Kim Young Oon, was sent to Eugene, Ore. in 1959 for the same purpose. By the early 1960's, Choi Sang Ik, having established the movement in Japan, had moved to San Francisco, where he attempted to spread Moon's teachings. Kim Young Oon had by then moved to Berkeley, Calif., while David S. C. Kim, another early Moon convert, was in New York City. In 1961, Pak Bo Hi, an English-speaking Korean Army officer, was assigned to the Korean Embassy in Washington as a military attaché. Pak had joined Moon's movement in 1957, and while in Washington he helped to recruit and proselytize on behalf of the movement.

In September 1961, Kim Young Oon and several other Moon followers living in the San Francisco area formed a California corporation which they called Holy Spirit Association for the Unification of World Christianity. The following year, Pak Bo Hi registered an association of the same name in Virginia. Its address was given as Pak's home in Arlington. Also living at that address, and a member of the original board of trustees along with Pak, was Moon Rhee, who later became well known as the owner of a chain of karate studios.

Both the California corporation and the Virginia association declared that they were organized solely for religious, charitable, and educational purposes and that they would not, to any substantial degree, engage in:

\* \* carrying on propaganda, or otherwise attempting to influence legislation, or participating in, or intervening in (including the publication or distribution of statements), any political campaign on behalf of any candidate for public office.<sup>251</sup>

Both the California and the Virginia organizations applied for and received exemption from Federal income tax.<sup>252</sup>

The various Holy Spirit groups in Korea, the United States, and elsewhere gradually came to be known—collectively and individually—as the Unification Church (UC). (Unification Church is a direct translation of the Korean term Tong-il Kyohoe.) The California corporation became the legal foundation for the national Unification Church, (Unification Church of America), which eventually moved its headquarters to New York City. As of March 1977, the officers and directors of the national organization were:<sup>253</sup>

*Directors*

-Mose Durst  
Joseph Sheftick  
Neil Salonen

*Officers*

Neil Salonen, president  
Edwin Ang, vice-president  
Rhonda Schmitt, secretary

<sup>251</sup> Articles of Incorporation; see appendix C-287, p. 3. See also KI-4, pp. 697, 719.

<sup>252</sup> Pursuant to section 501(c)(3) of the Internal Revenue Code of 1954.

<sup>253</sup> New York City application for tax exemption.

William Bergman  
Edwin Ang  
Michael Warder

David Hose  
Clifford Yasutake, treasurer

In addition to the national organization, State UC's were formed throughout the United States. Many of the officers and boards of directors of these State UC's overlapped with the national organization, with each other, and with non-UC components of the Moon Organization. The UC of Washington, D.C., incorporated in 1967 had among its directors in 1976: Kim Young Oon, Neil Saloner, Jon Schuhart, Michael Leone, Clifford Yasutake, Edwin Ang, Rhonda Schmitt, Michael Warder, Mose Durst, Joseph Sheftick, and William Bergman.<sup>254</sup> The UC of New York at various times had Takeru Kamiyama, Joe Tully, William Bergman, Walter Gottesman, and Michael Runyon as directors; Tully, Runyon, Kamiyama, and Gottesman also served as officers of the UC of New York.<sup>255</sup> A California affiliate of the UC which was organized under the name "International Re-Education Foundation" had as officer and directors Choi Sang Ik, Walter Gottesman, and Michael Warder.<sup>256</sup>

The International Re-Education Foundation was but one of the names used by branches and affiliates of the UC. Often, there was no indication that a local UC was connected to the larger organization. Many ex-members reported that attempts were made to disguise the local groups' ties to Moon and the national UC, particularly during fundraising and recruiting efforts.

Nevertheless, UC publications make clear the cohesiveness of the many branches, not only within the United States, but abroad as well. Prior to 1971, UC members in the United States generally referred to their organization as the Unified Family. The January 1971 edition of *New Age Frontiers*, part of which was quoted earlier, explained the change in name to Unification Church:

In light of the need to bring ourselves into a position to effect a change in American society, he announced the first change—our name is now the Unification Church. The reason for the change is that we must ultimately have our effect on the institutions of society. The name implies respectability and stability.<sup>257</sup>

The growth of the UC in the United States had been slow in the 1960's. Moon arrived in the United States in December 1971 to take charge of his movement here. Reportedly furious with the disorganized state of the American UC and its lack of discipline, he instituted a number of reforms such as structural reorganization, intensive training, and a major recruiting effort, in which Moon himself took a leading role. There was a parallel fundraising effort aimed at supporting the operations of the national UC headquarters and seminary. National fundraising teams of 10 members each were set up throughout the United States. It was estimated that were set up most of these teams could net \$1,000 per day or more. The state and regional teams were also contributing an unknown amount.

To meet some of the personnel requirements of the fundraising, several hundred foreign UC members were brought into the United States in 1973 on student or tourist visas.<sup>258</sup> Many were Japanese

<sup>254</sup> Corporate records. See also appendix C-302.

<sup>255</sup> Corporate resolutions to Unification Church of New York; see appendix C-277.

<sup>256</sup> California application for tax exemption.

<sup>257</sup> *New Age Frontiers*, Jan., 1971, p. 17; see appendix C-228.

<sup>258</sup> Subcommittee staff interviews; SIO II, p. 24; see appendix C-292.

noted by Moon for their trustworthiness. Often they were assigned to handle the books and insure that the proper remittances were made to the national church.

Estimates of UC membership varied widely, and the subcommittee made no attempt to arrive at precise figures, either for the United States or abroad. Neil Salonen testified in January 1977 that in the United States there were 30,000 UC members, of which 10,000 were "core" members who devoted all their time to the church.<sup>259</sup> Salonen also said that the UC was active in all 50 States and in 120 countries.

Former members of the UC and others who have closely observed it expressed the opinion that Salonen's figures were exaggerated.<sup>260</sup> However, the subcommittee did confirm that the UC was active throughout the United States and in many other countries, particularly Japan, England, and West Germany.

#### *International Federation for Victory over Communism and Freedom Leadership Foundation*

The Moon Organization began to involve itself in anti-Communist activities in the early 1960's. This was during a period when Korean Government leaders, especially Kim Jong Pil, were stressing the need to develop a strong anti-Communist ideology to counter the ideology of Kim Il Sung in North Korea.<sup>261</sup>

Anti-Communist doctrines and activities were woven into all aspects of the Moon Organization. In the name of anti-Communism, Moon's followers allied themselves with powerful right-wing figures in Japan, such as Ryoichi Sasakawa, and openly participated in election campaigns there; lobbied on behalf of the U.S. military presence in Vietnam; canvassed congressional offices; picketed in front of the U.N.; and sponsored meetings of the World Anti-Communist League (WACL).<sup>262</sup> In a speech, Moon told his followers: "We must have a dual organization; one is the church organization and the other is the Victory Over Communism organization."<sup>263</sup>

The principal vehicle for Moon's anti-Communist activities was the International Federation for Victory over Communism (IFVOC) and its affiliates around the world. (IFVOC was originally called the International Federation for the Extermination of Communism). It was formed in 1968 and was headquartered in Seoul; its Japanese affiliate, called Shokyo Rengo, was also formed in 1968, while the American affiliate, the Freedom Leadership Foundation

<sup>259</sup> Testimony of Neil Salonen before the New York City Tax Commission, Jan. 5, 1977, p. 14.

<sup>260</sup> Testimony of Steve Hassan before the New York City Tax Commission, Jan. 5, 1977, pp. 3-144.

<sup>261</sup> See "Part B: Review of Korean-American Relations," pp. 28-29.

<sup>262</sup> The World Anti-Communist League was formed by numerous national and regional anti-Communist groups, such as the Asian Peoples' Anti-Communist League (APACL). It has a small permanent staff, promotes anti-Communist education, and conducts annual meetings at locations throughout the world at which anti-Communist themes are stressed. These annual meetings are sponsored by various member groups. The Moon Organization sponsored the 1970 WACL meeting, which was held in Tokyo. Osami Kuboki (also known as Henry Kuboki), head of the Unification Church in Japan, was a key organizer for the WACL meeting; he and Donald Miller of the Korean Cultural and Freedom Foundation persuaded Senator Strom Thurmond to appear as a guest speaker.

Speaking of the 1970 meeting, Moon said: "We held a WACL meeting in Japan. At that time Master insisted to hold (sic) the best WACL meeting ever held. He gave orders to the members to prepare for that. They made \$1 million for that meeting." Master Speaks, Dec. 27, 1971, p. 9; see appendix C-207.

<sup>263</sup> Master Speaks, Apr. 14, 1974, p. 6; see appendix C-216.

(FLF), was incorporated in the District of Columbia in 1969. In 1977, the FLF directors were:<sup>264</sup>

Neil Salonen, president; W. Farley Jones; Philip Kent Burley; Kim Young Oon; George Edwards; Dan Fefferman; Jon Schuhart; Nora Martin Spurgin; and Judith Barnes.

Most of the FLF's financial support came from the UC.<sup>265</sup> FLF obtained Federal tax exemption as a nonprofit educational organization "dedicated to developing the standards of leadership necessary to advance the cause of freedom in the struggle against communism."<sup>266</sup> Moon was listed as its founder. One of FLF's principal activities was the publication of a newspaper called "The Rising Tide." In 1977, Neil Salonen was the publisher, Michael Smith, executive director, and Dan Fefferman and Hal McKenzie, among the associate contributing editors.

Alan Tate Wood, president of FLF in 1970 and a UC member for 4 years, told the subcommittee that Moon had personally ordered the expansion of his anti-Communist organization into the United States and saw the FLF as a means of influencing and controlling American institutions:

\* \* \* in 1970 when I visited Korea, and I had several private audiences with Mr. Moon, he told me that as president of the Freedom Leadership Foundation, it was my responsibility to begin a campaign in the United States to win the power center in the country.

At that time, he said: "FLF will probably win first the academic community."<sup>267</sup>

Wood further quoted Moon: "Once we can control two or three universities, then we will be on the way to controlling the certification for the major professions in the United States." Wood believed despite stated purposes to the contrary, that Moon conceived of the FLF as a political arm of the movement.

Wood described the early opposition of some UC members toward engaging in political activities:

At this stage in the Movement's development, the general membership was politically unsophisticated. The idea of a political arm was new. The purists in the movement who believed that a church should have nothing to do with politics voiced strong opposition. It was pointed out to them that the Church in Japan and Korea carried out extensive anti-Communist political programs.

They were told that it was Master's expressed desire to begin political work in the United States. Thereafter, members' objections to political activities was considered infidelity to Master and was like being disobedient to God.<sup>268</sup>

According to Wood, this policy decision by Moon, carrying with it the force of a religious command, triggered the start of political activities in the United States—contrary to the statements of Salonen and other Moon Organization spokesmen who portray UC members' political activities as the free exercise of their independent political beliefs.

Emphasis on support of anti-Communist activities and group brought Moon into contact with numerous political, academic, and business leaders, contacts which were exploited to the advantage of the Moon Organization. UC publications contained photos of Moon meeting with Eisenhower, Thurmond, Humphrey, Kennedy, Nixon

<sup>264</sup> Records on file with the Recorder of Deeds, District of Columbia.

<sup>265</sup> SIO-II, p. 36, see also Neil Salonen's testimony before the New York Tax Commission, Jan. 5, 1977, pp. 40-42.

<sup>266</sup> Masthead of *The Rising Tide*, an FLF publication.

<sup>267</sup> SIO-II, p. 37.

<sup>268</sup> SIO-II, p. 36.

and other American political figures; publications boasted that U.S. congressmen and media figures supported FLF activities, and even held receptions in honor of Moon.<sup>269</sup>

### *International Cultural Foundation*

Moon founded the International Cultural Foundation (ICF) in Japan in 1968. Its American affiliate was incorporated in New York in 1973. Among the first directors were:

Samuel (Henry) Kuboki.—President of the UC in Japan, an official in the Shokyo Rengo and WACL, and one of the Moon Organization's stockholders in the Diplomat National Bank;

Lim Young Whi.—Stockholder in Il Hwa Pharmaceutical Co.;

Chang Bo Hi.—President of KCFF, UC of America; and

Moon.—who was also chairman of the board.

Other ICF officers were: Neil Salonen, president

Paul Werner, vice president

Thomas Orme, vice president

Michael Warder, secretary

John Tully, treasurer.<sup>270</sup>

A Moon Organization publication, the *New Hope News*, quoted Moon in 1975 as saying that "ICF wants to make a totally new culture."<sup>271</sup> The ICF functions principally in the academic and scientific field, in much the same way as KCFF, FLF, and other groups served in their respective fields to gain legitimacy for the Moon Organization and expand its contacts with influential segments of society.

The two main projects of the ICF are the annual International Conference for the Unity of the Sciences and the International Leadership Seminar.<sup>272</sup> The "Unity of the Sciences" conferences have attracted numerous prominent scientists and academicians, including several Nobel Prize laureates. They are well-organized and expensive; the *New York Times* reported that the 1977 conference cost the ICF \$500,000.<sup>273</sup>

Other units associated with Moon which are directed toward the goal of winning scientists, academics, and members of the university community are variously styled Professors Academy for World Peace, Collegiate Association for the Research of Principles (ARP), and International Leadership Seminar. The May 10, 1974 edition of *New Hope News* contained the following passage relating Moon's plans to influence American universities:

Father wants to mobilize 20 or 30 of the Korean professors to influence American academia, both professors and students. Because of this, Father stressed the importance of building up CARP (Collegiate Association for Research of the Principle) to serve as a foundation for their work when they arrive.

Father said that college campuses are a major battlefield, and if we win there we will definitely win America.<sup>274</sup>

In speeches to his followers and in internal publications, however, Moon made it clear that he considers science conferences and other ICF projects to be part of his organization's overall goal of controlling major institutions in the United States and other key

<sup>269</sup> See e.g. *The Rising Tide*, Mar. 13, 1972. *The Rising Tide* is a publication of the Freedom Leadership Foundation with limited public circulation.

<sup>270</sup> *New Hope News*, July 7, 1975, p. 7; see appendix C-244. see also Corporate Records New York State.

<sup>271</sup> *New Hope News*, July 7, 1975; see appendix C-244.

<sup>272</sup> *New York City Tax Commission hearings*, Jan. 5, 1977, Neil Salonen testimony, pp. 29-31.

<sup>273</sup> *New York Times*, Nov. 28, 1977, p. 20.

<sup>274</sup> See appendix C-236.

nations and of influencing political decisions and policies. The January 30, 1973 Master Speaks, for example, contained a remarkable exposition of the worldwide aspirations of the Moon Organization and the part to be played by science and other conferences:

The policy-makers in the background are the professors. Even though they represent the cultural field, more than anything else we need scholars in the scientific fields—in the political, cultural, and economic fields. That's why we opened the Unified Science Conference in Europe last month. Next time we will have the Unified Economists' Conference, and after that the World Politicians' Conference. By our organizing the World Professors' Association we will have them win the people in each field to come and join us \* \* \*. The scholars will set forth a subjective ideology, uniting the different fields into one. This will be the leading ideology of the world.

Back in their own countries, these scholars will influence their own national policies in a joint effort, which will enable us to direct the world policies toward the same goals \* \* \* we will surely influence the policies of the whole world in the near future. In order to make it effective, we must have a very good university of our own. We must establish a university in at least seven nations: Korea, Japan, America, United Kingdom, France, Italy, and Germany.<sup>275</sup>

In the same speech, there is the revelation that the Moon Organization will soon "take over" a Korean university after having worked to that end for 1½ years.

### *Unification Church International*

The name "Unification Church International" (UCI) has been used in various contexts to describe the worldwide UC, apart from national, State, and local organizations. Pak Bo Hi talked about it as follows:

The Unification Church International does not belong to any one country or one particular geographical location. It is above the national structure of our churches so it will coordinate, assist, and spiritually guide, give the teachings and international programs organized and so forth.<sup>276</sup>

In December 1975, Pak opened a bank account in the name of UCI at the newly formed Diplomat National Bank. At the time, the status of UCI as a legal entity was unclear. It appeared that Pak had simply adopted—without any formal legal action—the corporate structure of the organization he had registered in Virginia in 1962 under the name "Holy Spirit Association for the Unification of World Christianity." (At the same time UCI letterheads were giving UCI's address as the UC estate in Tarrytown, N.Y., where Moon had his headquarters.)

The UCI bank account at DNB was opened with an initial deposit of \$70,000 which came from funds which had been in Moon's personal accounts at Chase Manhattan Bank in New York. Only Moon and Pak were authorized to sign checks. By March 1977, over \$7 million had been deposited in the account. Most of this money was received in the form of wire transfers or checks from abroad some of which were clearly from foreign UC accounts. Over \$6 million was received from Japan alone during this period.

During the same period, the UCI account disbursed large sums mostly to accounts of other Moon Organization groups such as the national UC in New York. Moon personally signed the checks or transfer orders authorizing the disbursement of most of these

<sup>275</sup> Master Speaks, Jan. 30, 1973, p. 5; see appendix C-211.

<sup>276</sup> Testimony of Pak Bo Hi, KI-4, p. 409.

funds, sometimes signing as "Chairman of the Board" and sometimes as "Founder" of UCI.

Beginning in late 1976, there were large disbursements from the UCI account to Moon Organization business enterprises such as News World Communications in New York and International Oceanic Enterprises in Virginia. By February 1977, these businesses had received over \$2.3 million from UCI.<sup>277</sup>

On February 2, 1977 UCI was formally incorporated in the District of Columbia as a "not-for-profit corporation"; the incorporators were Pak Bo Hi and Pak's secretaries at the KCFF, Judith Le Jeune and Sandra McKeehan. Among the purposes of the UCI, as listed in the incorporation papers, were:

(1) To operate exclusively for religious, charitable, literary and scientific purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1954;

(2) To serve as an international organization assisting, advising, coordinating and guiding the activities of Unification Churches organized and operated throughout the world.

The directors were:

Pak Bo Hi; Hak Ja Han (Mrs. Sun Myung Moon), Tarrytown, N.Y.; Won Pok Choi (a Moon aide and translator), Tarrytown, N.Y.; David S. C. Kim, Tarrytown, N.Y.; and Kim Won Pil, Seoul, Korea.<sup>278</sup>

Although the UCI had just disbursed over \$2 million to businesses—a pattern that would continue—the organization applied for tax-exempt status, eventually denied by the IRS.<sup>279</sup>

It was unclear whether the UCI had any independent functions other than serving as a financial clearinghouse for various Moon Organization subsidiaries and projects. The address of the UCI—as reflected on bank records—was at various times Tarrytown, N.Y., Pak Bo Hi's home in McLean, Va., and Pak's KCFF office in Washington, D.C.

### *Korean Cultural and Freedom Foundation*

The Korean Cultural and Freedom Foundation (KCFF) was incorporated in the District of Columbia in March 1964 as a nonprofit corporation; among its stated purposes were:

(a) To accord honor and recognition to those Americans who fought and died for the cause of freedom in Korea and to those who have aided in the preservation and perpetuation of Korean democracy and culture;

(b) To provide, in coordination with appropriate departments of the United States Government and the Korean Embassy, for an extensive program of support and interchange in the fields of art, literature, the humanities and related cultural matters;

(c) To foster a mutuality of understanding, respect and friendship between the citizens of the United States and Korea.<sup>280</sup>

The first officers and directors of KCFF were prominent Americans and Koreans who had some special interest or background in Korean-American relations. Arleigh Burke, former Chief of Naval Operations, was KCFF's first president; Yang You Chan, former ROK Ambassador to the U.S., its first executive vice-president; while William Curtin, a retired U.S. Army officer, was a vice-president and one of the incorporators.

<sup>277</sup> Financial records, Unification Church International; some of these records are in appendixes C-281—C-286.

<sup>278</sup> Incorporation papers, Unification Church International; see appendix C-288.

<sup>279</sup> Testimony of Sun Myung Moon before the Securities and Exchange Commission.

<sup>280</sup> KI-4 supplement, p. 619.

Pak Bo Hi was a military attaché at the Korean Embassy in Washington when KCFF was incorporated and was not an original incorporator, director, or officer. Pak, however, testified before the subcommittee:

The KCFF is truly my idea. I conceived this idea during my tenure as a diplomat serving in the Korean Embassy.<sup>281</sup>

The subcommittee found considerable documentary evidence which indicated that Pak was the moving force behind KCFF and that he was working for it and helping to shape its policies while still employed by the Korean Government.<sup>282</sup> Pak at the same time was active on behalf of the Holy Spirit Association, the UC branch he had registered in Virginia. Jhoon Rhee, a trustee of the Virginia association and a close friend of Pak's, became one of the original KCFF directors. Another original KCFF director was Robert Roland, who had a close relationship with Pak and Rhee between 1963 and 1965. Roland told the subcommittee:

In early 1964, Col. Pak told of his plans to form the Korean Cultural and Freedom Foundation. He stated that the purpose of the KCFF would be to gain influence and raise money for Moon's cause \* \* \* He described it very clearly that this was a front organization, and that it would be used to gain influence with wealthy people, government officials. Then he talked very clearly about using it as a fund-raising organization for the Moon organization.<sup>283</sup>

By early 1964, Pak had already taken steps to make KCFF serve Moon's cause, at a time when both KCFF and the Moon Organization were in their formative stages. A December 1963 brochure describing the KCFF—not yet formally organized—listed a Korean children's dance group called the Little Angels as the foundation's only proposed project.<sup>284</sup>

The Little Angels had been founded by Moon in Korea in 1962.<sup>285</sup> Pak referred to the Little Angels in an application for tax-exempt status which he submitted to the IRS in 1963 on behalf of his Virginia UC branch. Pak stated that the branch hoped to sponsor the Little Angels and other projects in the future, but could not do so then "because of the present pioneer state of the church."

It is hoped that the future will allow sponsoring a Korean dancing group in various cities as a means of bringing the Divine Principles to more people and to thus further the unification of World Christianity.<sup>286</sup>

Largely through Pak's efforts the KCFF, rather than the UC, took responsibility for sponsoring the Little Angels, although Pak, in his IRS application, had indicated that the purpose of the group was to help spread the doctrines of Moon and the UC. Pak explained the KCFF sponsorship of the Little Angels to the subcommittee:

Then what happened in 1964, we decided not to combine two things together, the cultural things done culturally, which is done by KCFF. That is why we organized the KCFF. In my testimony, I said the KCFF is my idea, so the church did not then tackle the Little Angels program.<sup>287</sup>

<sup>281</sup> Testimony of Pak Bo Hi, KI-4, p. 171.

<sup>282</sup> KI-4 Supplement, pp. 209-360.

<sup>283</sup> Testimony of Robert Roland, SIO-II, pp. 16 and 34.

<sup>284</sup> KI-4 Supplement, pp. 229-232.

<sup>285</sup> Testimony of Pak Bo Hi, KI-4, p. 390.

<sup>286</sup> KI-4, appendix 16, p. 701.

<sup>287</sup> Testimony of Pak Bo Hi, KI-4, pp. 440-441.

Robert Roland testified that Pak hoped the Little Angels would "create influence for their movement, and also for the Korean Government."<sup>288</sup> A passage from the June 15, 1965, issue of the UC's *New Age Frontiers* described the Little Angels as "a group of Divine Principles children who perform traditional Korean dances."<sup>289</sup> In later years, the Little Angels were officially sponsored by the Korean Government on world tours; also in later years, Moon's connection with the Little Angels and his increasing use of them to further his own purposes became more apparent.<sup>290</sup>

By December 1964, U.S. intelligence agencies had reported on Pak's plans to link the KCFF to the UC.<sup>291</sup>

The subsequent history of KCFF is closely related to some of the most controversial issues in Korean-American relations; these issues are discussed in detail in other parts of this report.<sup>292</sup> Although KCFF was often involved in foreign policy controversies beginning in the mid-1960's, causing it to receive attention from a number of U.S. agencies, its ties to the Moon Organization were not widely recognized prior to 1976. Until then, the KCFF had numerous supporters, advisers, directors, and contributors who were totally unaware of the connection.

In 1976, there was a split among officers and directors of KCFF over Pak's management of the foundation; there were public allegations by KCFF members that Pak was using KCFF as an arm of the UC. As a result of this feud, the Moon Organization's control over KCFF, which had been developing since the earliest beginnings of the foundation, became complete.<sup>293</sup>

### *Business enterprises*

The Moon Organization controls numerous large and small businesses throughout the world and is constantly expanding into new business fields. These organizations are set up under a variety of names and often employ holding companies and other complex corporate structures so that their relationship to the overall Moon movement is not always apparent to a casual observer. However, the subcommittee found extensive evidence that many business enterprises—regardless of name or legal structure—are an integral part of the Moon Organization and are used interchangeably with its nonbusiness components.

Even the crudest analysis of the structure of Moon's businesses shows that, as with his nonbusiness organizations, there is a pattern of interlocking directors, officers, and stockholders. The interrelationship of the businesses with the UC and other components of the Moon Organization is also made explicit in internal UC publications. There are frequent references to the "family" businesses. An illustrative example is found in a speech Moon gave to his followers:

After speaking about the necessity for God's children to surpass every standard in the satanic world, which of course necessitates a solid financial foundation, Father

<sup>288</sup> Testimony of Robert Roland, SIO-II, p. 34. -

<sup>289</sup> KI-4 Supplement, p. 406.

<sup>290</sup> See pp. 359-361 of this report.

<sup>291</sup> See Part C-III: "Executive Branch Awareness of Questionable Korean Activities," pp. 118-119, and KI-4 Supplement, p. 459.

<sup>292</sup> See Part C-III: "Executive Branch Awareness of Questionable Korean Activities," pp. 118-121, and other sections.

<sup>293</sup> Some of the details of how this takeover was managed are set forth on pp. 361-362.

talked about Family businesses in Korea: Tong-II Industries (machinery), the titanium plant, and the ginseng tea factory. He described significant expansion of the titanium plant (titanium is a metallic element used in alloys such as steel and in paints and other coatings), and he talked about the uncommon abilities of the Tong-II engineers to design and produce reliable and sophisticated machinery, enabling the company to win many defense contracts from the Korean government. He said the field we will enter next is that of electronics.<sup>294</sup>

In Korea, the most important Moon businesses were Tong II Industries Co., Il Hwa Pharmaceutical Co., Il Shin Stoneworks, and Hankook Titanium Industrial Co. The Korean businesses had affiliates and export outlets in other countries, particularly Japan, where Tong II Industries was run under the name of Toitsu Sangyo.

The subcommittee did not obtain detailed financial and production data about the Moon industries in Japan and Korea, and Moon Organization spokesmen have been reticent in disclosing details. In a 1976 Newsweek interview, for example, while Moon acknowledged that his Korean industries had defense contracts with the Korean Government, he would not disclose what armaments were being produced on grounds that the information was classified.<sup>295</sup> Pak Bo Hi, in testimony before the subcommittee, acknowledged that Tong II made "sophisticated military instruments," but said he did not know which particular instruments, although he was certain Tong II did not have anything to do with the production of M-16's.<sup>296</sup>

Data compiled by the U.S. Department of State in 1976 showed the following about the principal Moon business in Korea:<sup>297</sup>

(1) *Tong II Industries Co.*

Tong II is the only one of Moon's industries designated by the ROK as a defense contractor. It manufactures air rifles, lathes, milling machines, boilers, and parts for the M-79 grenade launcher and the vulcan gun.<sup>298</sup> Tong II's main stockholders were:

	Percent
Unification Church .....	53
Kim In Chul (former president of Tong II).....	36
Moon Sung Kyun (president as of 1978).....	4
Boek Ku Sub (executive director).....	.006

The remainder of the stock was held in small amounts by 100 persons.

The report stated that Tong II's 1975 sales were \$4 million, with \$488,000 in profits. Assets were listed as \$4,666,000.

The State Department report identified Kim In Chul as a member of the UC's board of directors.

(2) *Il Hwa Pharmaceutical Co.*

Il Hwa was formed in 1971 to make and export ginseng extracts, primarily to Japan. Stock ownership was:

<sup>294</sup> New Hope News, May 10, 1974; see appendix C-236.

<sup>295</sup> Newsweek, June 14, 1976, p. 39.

<sup>296</sup> Testimony of Pak Bo Hi, KI-4, p. 477.

<sup>297</sup> All information on the businesses as set forth on p. 326 (middle) top p. 328 (top), was derived from declassified State Department cables.

<sup>298</sup> For further information on Tong II's role as a Korean defense contractor, see "ROK Defense Production and Military Self-Sufficiency" in "Part C-1: Security and Political Affairs," pp. 81, 83.

	Percent
Kim Won Pil.....	5.2
Hong Sung Pyo.....	5.1
Lee Yo Han.....	1.4
Lee Soo Kyung.....	1.5
Kim Young Hui.....	1.9
Lee Sang Hon.....	1.5

Ownership of the rest of the stock was not given. In 1975, assets were \$2.8 million, profits \$1 million, and total exports \$9,957,000. The U.S. representative was given as Lewis Burgess, Tong Il Enterprises, N.Y.

### (3) Il Shin Stoneworks

Il Shin manufactures stoneware vases. Exports in 1975 totaled \$600,000 and were handled by Tong Il Industries (Japan) and Shiawase Shoji Co., both located in Tokyo. Il Shin's stockholders were listed as:

	Percent
Unification Church.....	22.3
Moon Sung Kyun.....	15
Kim Won Pil.....	10
Yoo Hyo Young.....	13.83
Chung Yoon Chang.....	8.33
Kim In Chul.....	5.84

Ownership of the remaining shares was not disclosed.

### (4) Hankook Titanium Industrial Co. and Dong Hwa Titanium Industrial Co.

The reports stated that Hankook Titanium was established in 1968 and became a joint venture with UC-Korea in April 1972. Stock ownership was:

	Percent
UC-Korea.....	76
UC-Japan.....	5.32
Sun Myung Moon.....	1.49
Seung Kyun Moon.....	0.77

The report listed Hankook Titanium's 1975 assets as \$4.9 million, gross sales \$2,296,000, and profit \$87,000.

Dong Hwa Titanium produces titanium dioxide, which is marketed in Korea to paint, rubber, and ink industries. It was established in 1973 and became a joint venture with UC-Korea in April 1974. Sun Myung Moon was chairman of the board and owner of 90.5 percent of the stock. A Japanese national named Yaji Junsei was listed as owner of 6.6 percent of the stock. Dong Hwa's assets were put at \$2.2 million, 1975 gross sales at \$1,302,000, and profits at \$164,000.

According to the State Department information, the combined 1975 assets of the five businesses mentioned above were \$14,970,000, with 1975 profits of \$1,910,000, net worth of \$7,410,000, and total 1975 sales of \$18,627,000. The profit ratios of the Moon businesses were "slightly above average" for Korean businesses.

The State Department reports also stated that the executives in all five businesses were trained at Tong Il Industries and that all important shareholders were active UC members.

A separate section of the State Department report commented that official Korean records indicated that the UC-Korea claimed

\$3,600 in assets; however, published financial statements showed assets, as of December 31, 1975, to be \$4,535,000, with a net worth of \$4,516,000.

The State Department's information was derived from World Traders Data Reports, which in turn are generally based on public sources and inquiries of industry representatives, and not on audits.

Earlier data gathered by the Export-Import Bank showed Tong Il Industries 1972 sales to have been \$400,000;<sup>299</sup> if both the Eximbank and State Department figures are accurate, Tong Il's sales volume in 1975 was 10 times higher than in 1972. This increase was consistent with executive branch reports and with the statements of a number of persons interviewed by the subcommittee to the effect that Tong Il's fortunes rose with the development of ROK defense production.

A UC publication contained an article on the titanium plant which described how the UC took over its operation in 1972.<sup>300</sup> After that, it was managed and operated mostly by UC members. In describing future plans for the factory, it was noted that titanium is used in aircraft and spaceship production. In another UC publication, Neil Salonen reported on a tour of the titanium plant and Moon's plans for its expansion:

Father wants to expand and build the factory as soon as possible. We have a monopoly on the refining of titanium in Korea and actually a large corner on the world market because we can do it in a very sophisticated way.<sup>301</sup>

In January 1977, the ROK Government charged Kim Won Pil and other officers of Il Hwa Pharmaceutical Co. with conspiring to evade over \$12 million in taxes, in addition to other offenses. A State Department cable reported that the specific charges included:

Falsely reporting purchase price of raw ginseng, falsely reporting capital increases by disguising stock distribution, failure to pay taxes on property acquired in the names of employees, and income tax avoidance by donating money to the Unification Church.<sup>302</sup>

The cable quoted Korean newspaper accounts which claimed that \$6.2 million was transferred to Moon's church from Il Hwa without tax payment. It was noted that Korean law does not permit transfer of moneys when the same person—in this case Kim Won Pil—headed both a taxable and tax-free foundation. In that connection, the State Department commented:

Kim Won-pil, president of Il Hwa Pharmaceutical, is also chairman of the board of directors of the Holy Spirit Association for the Unification of World Christianity (see 76 Seoul 5612). He also holds 1 percent of the shares in Il Shin Stone Works, and was executive director of Tong-il Industries, the Moon firm designated a defense industry by the R.O.K.G.<sup>303</sup>

In the same month that this State Department report was written (February 1977), Kim Won Pil acquired still another title in the Moon Organization when he became a director of the Unification Church International (UCI). Kim was one of Moon's earliest followers and had been arrested with Moon in 1955.<sup>304</sup>

<sup>299</sup> Subcommittee staff interview with Barbara Guarnieri, Export-Import Bank.

<sup>300</sup> Way of the World, Oct. 1973, pp. 110-115. Way of the World is a publication of the Unification Church. See appendix C-234.

<sup>301</sup> New Hope News, Feb. 8, 1975, p. 4. See appendix C-242.

<sup>302</sup> Department of State cable, February 1977.

<sup>303</sup> Ibid.

<sup>304</sup> See p. 353, this section.

The State Department cable referred to possible political motivations by government officials in bringing the charges:

Commercial sources indicate the Il Hwa investigation may be a strong attempt by R.O.K.G. to disassociate itself from Rev. Moon. Embassy sources indicated that the most likely reason for the arrests was to serve notice to Rev. Moon not to interfere with Korean politics, domestic or foreign.<sup>305</sup>

The subcommittee did not have access to the specific evidence produced by Korean authorities to support the charges against the Il Hwa officials. However, the State Department report on the charges, especially the portions on use of employee names to disguise stock ownership, use of the UC to avoid taxes, and directors and officers in common to both taxable and tax exempt organizations, described practices of the Moon Organization in the United States.

One of the earliest significant business ventures in the United States was Tong Il Enterprises, which was incorporated in New York in June 1973. The certificate of incorporation was signed by Takeru Kamiyama, and the first board of directors and their stockholdings were:<sup>306</sup>

Sun Myung Moon, chairman of the board.....	25 percent
Mrs. Sun Myung Moon.....	10 percent
Takeru Kamiyama.....	5 percent
Cho Woo Eukman.....	5 percent
Michael Warder.....	2 percent
Veil Salonen.....	1 percent
Daikon (Kenji) Ohnuki.....	0.05 percent
Joe Tully.....	0.05 percent
Robert Wilson.....	0.02 percent

Tong Il's main activity at first was the importation and marketing of ginseng tea and marble vases from Moon's companies in Korea; later it became involved in Moon's tuna fishing enterprises.

On the west coast the Moon Organization opened International Exchange Enterprises. It in turn ran a maintenance company and owned a travel agency, Seno Travel Services. Daikon Ohnuki was one of the original directors of International Exchange Enterprises and owned 100 percent of the stock; in 1974 he transferred this stock to Sung Soo Kim, who was an officer in the travel agency.

Another officer of both International Exchange and Seno was Choi Sang Ik, founder of the UC in Japan and San Francisco and for many years a leading figure in the Moon organization.<sup>307</sup> A former UC member who worked for International Exchange stated that while the company was denying any link to the UC she was turning in her pay checks to the leader of the UC organization in the San Francisco Bay area.<sup>308</sup>

Media enterprises were also set up in the United States based on similar ventures already begun in Japan. In January 1975, the World Daily News Co. had been opened in Japan and began printing a daily newspaper (Sekai Nippo) there; Mitsuharu Ishii was the president.<sup>309</sup> In February 1975, Moon has said in a speech to U.S. members:

<sup>305</sup> Department of State cable, February 1977.

<sup>306</sup> Certificate of Incorporation.

<sup>307</sup> Corporate papers of International Exchange Enterprise and Seno Travel Service.

<sup>308</sup> Affidavit of Patricia O'Shea.

<sup>309</sup> Testimony of Pak Bo Hi, KI-4, p. 326.

This year we have to expand our UN campaign, work among all the Senators and Congressmen with our PR brothers and sisters, and we are going to establish a university. Another thing we are going to do is to start a newspaper plant.<sup>310</sup>

In the same speech, Moon said that UC "missionaries" around the world were to become involved in media activities, including setting up an international paper, in order "to guide the academic world including professors, the communications world, and then the economic world."

As Moon predicted, a daily newspaper was opened in the United States—in December 1976, *News World* began publication in New York. Among the officers and directors of the parent corporation News World Communications, Inc., were Dennis Orme, president, and Michael Trulson, secretary. Orme had been president of the UC in England and a director of ICF. The *News World* was staffed almost exclusively by UC members; for example, the editorial board included Michael Young Warder, Joachim Becker, Keith Cooperrider, and Hal McKenzie, all of whom had occupied positions in the UC hierarchy.

The competitive advantage UC staff members gave *News World* was apparent in August 1978, when a strike shut down the major New York dailies, making *News World* for a time one of the only choices for New Yorkers. During this strike, the *Washington Post* quoted Michael Trulson of *News World* as saying that the paper was financed by "friends of Moon—businesses operated by members of the Unification Church of America."<sup>311</sup> However, Unification Church International financial records at the Diplomat National Bank revealed that Moon personally directed much of the early funding of *News World* by transferring funds from UCI, not from businesses.<sup>312</sup>

*News World* served, when needed, as a propaganda instrument of the Moon Organization. A casual reader would not detect its UC affiliation on most days. On issues affecting Moon and the UC however, the resources of the paper were mobilized along with other components of the Moon Organization to attack and discredit critics and investigators. One issue of *News World*, for example, carried an article with photographs of IRS agents auditing the books of the UC, written to suggest the IRS was harassing the church.<sup>313</sup> Similarly, *News World* printed numerous derogatory articles about the subcommittee's investigation and its chairman including articles accusing the chairman of being a Russian agent.<sup>314</sup>

*News World* and its counterpart in Japan were not the only ventures into the media and communications field. In July 1974 Moon had told his followers: "Even a movie company is being formed right now in Japan"<sup>315</sup> It was set up under the aegis of One Way Productions, with offices in Tokyo and Los Angeles. The head of this company was Mitsuharu Ishii, who, as noted, also headed Tong Il Industry's Japanese branch (Toitsu Sangyo), was an officer in the ICF, and was involved in funding various stock purchases in

<sup>310</sup> Master Speaks, Feb. 16, 1975, p. 9; see appendix C-224.

<sup>311</sup> *Washington Post*, Aug. 10, 1978.

<sup>312</sup> See p. 373 of this section.

<sup>313</sup> *News World*, Feb. 2 and 3, 1978. See appendixes C-244, C-248.

<sup>314</sup> One was cited in *Korea Herald*, Dec. 11, 1977. See appendix C-246.

<sup>315</sup> Master Speaks, July 29, 1974, p. 15; appendix C-218.

the DNB.<sup>316</sup> One of the employees in Los Angeles was Robert Standard, a UC lawyer who represented the Moon factions of the KCFF in an internal conflict in 1976 and 1977.<sup>317</sup>

One Way Productions, like News World, was used for propaganda purposes. At the time of Pak Bo Hi's testimony, the proceedings were filmed by crews under Ishii's direction; the films were later edited and used to make a "documentary" of the hearings, shown to UC members in various locations and aired on TV stations in Korea.<sup>318</sup> Ishii himself was present at one of Pak's appearances before the subcommittee; later, when Pak's testimony pointed to Ishii as the source of funds for Diplomat National Bank stock purchases, the subcommittee learned he had returned to Japan. Attempts to communicate with him were unsuccessful.<sup>319</sup>

The Moon Organization also invested heavily in fishing and shipping enterprises in the United States. A former UC member recalled Moon speaking of "dominating the tuna fishing business."<sup>320</sup> In November 1976, International Oceanic Enterprises was incorporated in Virginia, along with its subsidiary International Seafood Co. The 1978 annual report filed with Virginia authorities listed the officers and directors of International Oceanic Enterprises as follows.<sup>321</sup>

Bo Hi Pak, president; Won Dae Chi, vice-president; Judy LeJeune, secretary; Rene Cooney, assistant secretary; and Bonnie J. Precht, assistant treasurer.

The directors were:

Bo Hi Pak; Sun Myung Moon; Neil A. Salonen; Mose Durst; Michael Young Warder; Takeru Kamiyama; and Joseph Sheftick.

Moon and Pak provided the initial capital through the UCI account at the DNB; later infusions of cash from UCI totaled millions of dollars. Among the disbursements made by the seafood business in its early months was \$200,000 to Tong Il Enterprises on December 27, 1976.<sup>322</sup>

These transactions again illustrate how the components of the Moon Organization work together as an economic unit. In the 7-month period from October 1976 to May 1977, nearly \$1 million was poured into the fishing business from other Moon enterprises. The transfers from UCI were particularly illustrative since Moon—who signed the checks—and Pak Bo Hi held positions in both UCI and International Oceanic Enterprises, and Pak was president of both organizations. The transfer from the seafood company to Tong Il Enterprises in New York similarly involved taking money from one Moon Organization pocket and putting it into another.

In 1977, the fishing interests expanded with the purchase of 700 acres of waterfront property in Alabama reportedly for a fishery and shipbuilding industry. Part of the down payment was \$400,000 provided by International Seafood's account in Norfolk.<sup>323</sup>

<sup>316</sup> Testimony of Pak Bo Hi, KI-4, pp. 283-297, 315-318.

<sup>317</sup> See p. 361 of this section.

<sup>318</sup> Subcommittee staff interview with Tongsun Park and other confidential staff interviews.

<sup>319</sup> Testimony of Pak Bo Hi, KI-4, pp. 346-347. Letter from Subcommittee Staff Director Robert B. Boettcher to Mitsuharu Ishii, July 12, 1978.

<sup>320</sup> Statement of Phillip Greek; see appendix C-299.

<sup>321</sup> Subcommittee staff memorandum on corporation papers of International Oceanic Enterprises.

<sup>322</sup> Financial records of Unification Church International. See appendix C-250, 280, 283.

<sup>323</sup> Subcommittee staff interview with Kenneth Giddens, Apr. 24, 1978, concerning the Alabama land purchase; financial records, Unification Church International. See appendix C-283.

By 1978, UCI money was also being put into other businesses and holding companies, such as One Up Corporation, U.S. Marine Corp., U.S. Foods, and Il Hwa American Corp.<sup>324</sup>

### *Issues Revealed by the Investigation*

As the investigation proceeded, certain patterns emerged. The various units of what came to be called the Moon Organization had overlapping directors and officers and used personnel interchangeably. They were tied to one another through joint activities, financing, and mutual use of projects. They were involved to varying degrees with the Korean Government. They carried out activities, especially political and anti-Communist ones, that conflicted with the purposes set forth in their corporate charters. Furthermore, several of these activities were in apparent violation of U.S. tax-exempt and nonprofit corporation laws, as well as U.S. immigration laws and those governing the international movement of currency. Drawing on the information relating to the individual units of the Moon Organization, this section looks at specifics of the issues summarized above: the cohesiveness of the Moon Organization; its political activities; its ties to the Korean Government; its economic and financial activities; and apparent violations of U.S. laws.

#### *Cohesiveness of the Moon Organization*

The subcommittee's finding that there is essentially one "Moon Organization" worldwide, rather than a number of separate organizations "founded" or "inspired" by Moon but otherwise operating as independent entities, is contrary to the image Moon and his associates seek to create by carrying on their activities under the aegis of numerous corporate and other legal structures. UC leaders and Moon associates have, in many public and official statements, repeatedly denied or minimized the connections between one Moon-related organization and another.

As part of their applications for tax-exempt status, Moon's spokesmen have had to address the issue of the interrelationships that exist in their movement. In April 1963, in an application to the IRS for tax-exempt status for the branch of the UC he registered in Virginia, Pak Bo Hi stated:

The Holy Spirit Association for the Unification of World Christianity is affiliated only on a doctrinal basis with a movement which began in 1954 in Korea, at the end of the Korean War \* \* \*

The Association is consequently affiliated with the California organization and with the Korean and Japanese movements on the basis of the similar and common doctrine of the gospel of the Divine Principles, but this organization is totally and independently organized; there is no formal organizational tie with any other organization. We would, of course, look to the Korean movement as the fountainhead of the spiritual principles and theological bases of our church, but outside of this spiritual indebtedness and spiritual common interest, there are no affiliations or formal connections.<sup>325</sup>

In testimony before the New York City Tax Commission Neil Salonen, President of the UC of America, was questioned about the relationship between that church and other "Moon organizations." He minimized the interrelationships. Asked about the Freedom

<sup>324</sup> Financial records, Unification Church International. See appendix C-283.

<sup>325</sup> Virginia application for tax exempt status submitted by Pak Bo Hi, KI-4, p. 689.

Leadership Foundation (FLF), he said that only one officer of FLF was also an officer in UC of America. Salonen refused to answer how many board members of FLF were UC members. He admitted that the UC had provided 60 percent of FLF's funds during a recent year, but stressed that this was but a small percentage of the church's total expenditures.

As for the relationship between the UC of America and Unification Church International, Salonen asserted there was no connection "other than a spiritual bond of the heart." (In fact, by January 1977 the national UC had transferred money to UCI and in turn received over \$1 million from UCI.) Salonen called News World "an independent corporation" to which the church rented space, but which was funded by UCI; he said that International Federation for Victory Over Communism had "no connection with the Unification Church in America." Salonen admitted he was an officer of the ICF, as well as the FLF and the UC, and that the UC provided funds to FLF and ICF. However, he pointed to a statute making it illegal for one nonprofit organization to donate funds to another.<sup>326</sup>

Salonen, Pak Bo Hi, and other UC leaders have also emphatically denied on various occasions that the Korean Cultural and Freedom Foundation (KCFF) is part of the Moon Organization. Regarding the Little Angels, a KCFF project, Salonen stated: "The Little Angels and the UC may share the same founder, but otherwise there is no connection."<sup>327</sup>

In testimony before the subcommittee Salonen said that, so far as he knew, the KCFF was not directly or indirectly controlled by Moon.<sup>328</sup>

In these and numerous other statements and representations, Moon and his spokesmen have tried to keep intact the corporate veils which maintained the outward appearance of separate and independent organizations related, if at all, only through a common founder or by a loosely defined "spiritual bond." These spokesmen often turned away questions about the actual relationship between the UC and other organizations on the grounds that UC membership is "irrelevant" and that to inquire about the religious background of the members of a given organization violates constitutional rights.

Central to the official posture maintained by the UC and its spokesmen is the portrayal of Moon as a founder and spiritual leader, with little or no responsibility for his organization's fiscal, administrative, and other worldly matters. Before the New York Tax Commission, Neil Salonen stated:

Rev. Moon is considered the prophet of the Church and the founder. Other than that he has no specific relationship.<sup>329</sup>

Salonen went on to say that Moon received "no compensation whatsoever" from the UC and that expenses paid on Moon's behalf, mostly for travel, amounted to only a few thousand dollars in a recent year. Salonen did not know how Moon provided for his

<sup>326</sup> Testimony of Neil Salonen, New York City Tax Commission hearings, Jan. 5, 1977, pp. 32,

<sup>327</sup> Statement of Neil Salonen submitted to the subcommittee in support of his testimony on Sept. 30, 1976.

<sup>328</sup> Testimony of Neil Salonen, executive session of Subcommittee on International Organizations Sept. 30, 1976.

<sup>329</sup> New York City Tax Commission hearings, Jan. 5, 1977, p. 22.

personal expenses. He said that Moon "provides spiritual guidance to the movement all over the world," but that he "doesn't direct the affairs of the organization in an administrative or physical sense."

The subcommittee found, to the contrary, that Moon provides considerably more than spiritual guidance to his worldwide organization. The statements and testimony of former members and officials in Moon's Organization, evidence gleaned from internal UC publications, memos, other documents, and financial records all show that Moon exercises substantial control over temporal matters. These include the transfer of funds from one organization to another, personnel changes and allocations, the structure and operation of fundraising teams, the timing and nature of political demonstrations, and the marketing of goods produced by the organization's businesses. As in any organization so large and complex, there are advisers, lieutenants, and managers with varying degrees of influence and authority to speak and act on behalf of the organization; however, there is every indication that regardless of the title he might or might not hold in any one corporate structure, Moon can and often does make the final decision on a course of action.

To gatherings of his followers, Moon makes it clear that he would occupy the position of authority in the future world order which is his goal. In one speech, he said:

The time will come, without my seeking it, that my words will almost serve as law. If I ask a certain thing, it will be done. If I don't want something, it will not be done. If I recommend a certain ambassador for a certain country, and then visit that country and that ambassador's office, he will greet me with the red carpet treatment.<sup>330</sup>

### *Interchangeability among organizations, personnel, and funds*

Former UC members commented on the use of UC personnel in other Moon organizations. One said:

All members of the UC are used interchangeably in any of the 60 front organizations, as needed or assigned by Moon.<sup>331</sup>

Another former member, Linda Anthenian, stated that all UC members automatically became members of FLF as well:

According to Moon's dualistic thought, the Unified Family [UC] would be the inner, policymaking force, while the FLF would be the outer, active political arm of the movement. \* \* \* On any one day, I could act as a representative of the Unified Family and pass out literature for it, and then turn around at a moment's notice and disseminate political brochures for the FLF.<sup>332</sup>

Another former member, Phillip Greek, spoke of using donations to the UC to fund various businesses:

In the future it was the hope of Rev. Moon that the Church would become one vast conglomerate of mutually supporting businesses \* \* \*<sup>333</sup>

An April 1973, Directors' Newsletter—an internal publication circulated to church centers on a regular basis—conveyed announcements and instructions from Moon: He said that by April 1975, missionaries were to be sent to 120 countries and gave

<sup>330</sup> Master Speaks, Mar. 24, 1974, p. 9; see appendix C-215.

<sup>331</sup> Statement of Diane Devine; see appendix C-300.

<sup>332</sup> Statement of Linda Anthenian; see appendix C-298.

<sup>333</sup> Statement of Phillip Greek; see appendix C-299.

instructions to UC members regarding the sale of ginseng tea and the importation of stone vases, both products of Moon industries in Korea;<sup>334</sup> on September 1, 1973, a newsletter reported that Gary Scharf had been appointed by "our leader" to be first head of the Collegiate Association for Research of Principles (CARP);<sup>335</sup> in a memo, David Kim repeated "detailed instructions" from Moon. Kim spoke of European fundraising units as being "under Master's direct command."<sup>336</sup> He announced that shipments of ginseng tea had been received at UC headquarters and said:

Our Master plans to explore a worldwide market for this heavenly product, along with worldwide spread of Unification principles for mankind.<sup>337</sup>

Other memos gave instructions to UC members on how to market ginseng tea.

In a January 31, 1974 speech, Moon said:

We are going to have a strong worldwide movement. Therefore, we must have a strong worldwide organization.<sup>338</sup>

In the same speech he told his followers:

The world is really our stage. We are going to be the ones who restore and bring hope to every corner of the world. The money is there, and I will earn that money. I will reap the harvest. And you will become soldiers, trained soldiers.

Some of the "trained soldiers" in Moon's worldwide organization were the UC members he sent as "missionaries" to various countries. In a speech quoted elsewhere,<sup>339</sup> Moon explained how he intended to use these missionaries to "open avenues to commerce" in many nations and to serve as reporters for Moon Organization newspapers in Japan and the United States.<sup>340</sup>

Moon's ability to order trained followers to undertake diverse missions around the world enabled him to bring fundraising teams to the United States and to move large amounts of cash across international boundaries. His methods for doing this were frequently illegal or questionable under U.S. law as well as those of other nations.

Beginning in the early 1970's, Moon brought hundreds of foreign UC members into the United States, many of whom entered the country on visitors visas which permitted them to remain in the country for only a limited time.<sup>341</sup> Once these members were in the United States, most were assigned to mobile fundraising teams, Moon Organization businesses, or other moneymaking activities.<sup>342</sup>

In early 1974, the UC petitioned the Immigration and Naturalization Service (INS) to change the status of over 500 aliens from "tourist" to "religious trainee," which would allow the aliens to remain in the United States for a much longer period.<sup>343</sup> The INS denied these petitions on the grounds that the "missionary training program" consisted primarily of fundraising and that this activity violated the terms of the visas.

<sup>334</sup> Directors' Newsletter, Apr. 1973., p. 4; see appendix C-230.

<sup>335</sup> Directors' Newsletter, Sept. 1, 1973, p. 3; see appendix C-233.

<sup>336</sup> This memorandum is dated Mar. 10, 1973.

<sup>337</sup> Contained in Davis Kim's memorandum of Mar. 10, 1973.

<sup>338</sup> Master Speaks, Jan. 31, 1974, pp. 2, 5; see appendix C-213.

<sup>339</sup> See p. 378 of this section.

<sup>340</sup> Master Speaks, Feb. 16, 1975, p. 9; see appendix C-224.

<sup>341</sup> Summary of investigative action by the Immigration and Naturalization Service concerning alien UC members; see appendix C-292.

<sup>342</sup> Subcommittee staff interviews.

<sup>343</sup> Summary of INS investigation; see appendix C-212.

In April 1974, at the time the problem with the INS begun, Moon emphasized the importance of foreign members to his plans in the United States and spoke of preventing their deportation by U.S. authorities:

And right now our foremost problem is the difficulty with the Immigration Department. Unless we can successfully obtain legitimate residency for our foreign members, our movement will suffer a setback. We cannot fail to do this. If we do fail, my entire strategy will be totally altered, because all the foreign members here will have to leave. Therefore, by all means, at any cost, we must win the immigration battle.<sup>344</sup>

In a later speech he said: "The Immigration Office is planning to send back the Unification Church members from other countries. Very possibly the Communists are behind this."<sup>345</sup>

As a result of U.S. pressure, Moon eventually sent several hundred foreign members out of the United States before any proceedings were brought against them. The INS took no action to enforce the departure of UC members found to be violating their visa status, pending administrative proceedings and appeals; this process has taken several years.<sup>346</sup> As a result, numerous aliens have been able to continue carrying on their fundraising activities with little or no interference from U.S. authorities. In the meantime other aliens had been arriving and departing,<sup>347</sup> and violations of visa regulations continued.

As indicated in the above passages, the Moon Organization tried to and did exploit the inadequacies of U.S. immigration laws and enforcement mechanisms, or ignored them. Both the fundraising and business activities violated the terms of tourist and other visas. People stayed beyond the length of their visas, thereby becoming illegal aliens. In addition, the UC took advantage of cumbersome INS procedures to delay deportations and apply for changes of status for UC members.

In the case of one of the key members of the UC, Takeru Kamiyama, the Moon Organization, through a financial sleight-of-hand, was able to have his visa status changed to one which would permit him to stay in the United States. Kamiyama applied for an E-2 "Treaty Investor" status in 1973 on the grounds that he was a Japanese national engaging in a trading enterprise in the United States, that is, Tong Il Enterprises.<sup>348</sup> When he first applied, Kamiyama owned 5 percent of Tong Il's stock, the balance being owned by Moon and other Korean and American UC members. When it was discovered that INS regulations required that the trading company be more than 50 percent owned by members of the same nationality, Kamiyama, a Japanese, was awarded 54 percent ownership of Tong Il's stock, making him eligible for trader's status. This he received on January 21, 1975.<sup>349</sup> By this simple maneuver, the Moon Organization was able to overcome a potential INS problem. The incident shows the advantages of having the components of the organization work together as a cohesive unit.

The importance to the Moon Organization of free transfers of money and personnel across international boundaries and back and

<sup>344</sup> Master Speaks Apr. 14, 1974, p.7; see appendix C-216.

<sup>345</sup> Master Speaks, Feb. 23, 1975, p. 3; see appendix C-225.

<sup>346</sup> Summary of INS investigation; see appendix C-212.

<sup>347</sup> Subcommittee staff interview with UC member.

<sup>348</sup> INS files.

<sup>349</sup> INS files.

orth from religious to political or business activities is implicit in many of the speeches and documents already discussed.

In addition to raising funds and providing a work force for Moon Organization business projects, UC members who travel in and out of the United States are vehicles for circumventing or violating restrictions on the international movement of currency.

Several persons interviewed by the subcommittee staff stated that prominent Moon Organization figures had admitted bringing in large amounts of cash from Japan by concealing it on their persons.<sup>350</sup> Since 1972, U.S. law has required that all persons moving cash in excess of \$5,000 in or out of the country fill out a Treasury report.<sup>351</sup> Japan has similar requirements, as well as limitations on converting yen to other currencies.<sup>352</sup> Korea, too, has very strict currency control laws. Converting won to dollars in order to take money out of Korea, except in very small amounts, is almost impossible to do legally.<sup>353</sup> Despite these laws, the subcommittee found evidence that large sums of cash maintained in the United States by the Moon Organization had apparently been brought in from overseas.

In 1974, Moon opened accounts and time deposits at Chase Manhattan with \$995,200, about half in cash, deposited at a time when, according to Moon, most financial support for his movement came from overseas.<sup>354</sup> Pak Bo Hi testified that between 1972 and 1974, he received \$223,000 in loans from Mitsuharu Ishii, some of which Pak brought back from Japan himself, while the rest was delivered to him in the United States. All of this money was received in cash, and Pak could not explain where Ishii—who is a full-time employee in various Moon Organizations—derived the money he lent Pak.<sup>355</sup> Pak also could not explain how \$58,000, which he says he received from Ishii via the head of the Little Angels Touring Co. (he could not remember the person's name), got into the country; he suggested that perhaps the money had been "divided" among the Little Angels, each of whom would carry less than \$5,000.<sup>356</sup> Later in his testimony Pak said he did not think the Little Angels had helped bring in the money, but he still could not recall how it was brought in.)

Pak's explanation for the nearly \$1 million used to fund Diplomat National Bank stock purchases in the name of UC members likewise apparently involved massive transfers of cash from abroad.<sup>357</sup>

<sup>350</sup> Subcommittee staff interviews.

<sup>351</sup> The Currency and Foreign Transactions Reporting Act (Public Law 91-508; 31 U.S.C. 51-1143) and Treasury Regulations implementing its provisions require reports of certain domestic currency transactions and of the import and export of monetary instruments in excess of certain amounts.

<sup>352</sup> Foreign Exchange and Foreign Trade Control Law (law No. 228, Dec. 1, 1949, as last amended by Law No. 99, 1968).

<sup>353</sup> Under the foreign exchange control law of 1961 (law No. 933, Dec. 31, 1961, as last amended by law No. 1920, Mar. 30, 1967), all foreign exchange transactions made by Korean nationals and foreign nationals are subject to exchange controls by the Ministry of Finance and the Bank of Korea.

<sup>354</sup> Master Speaks, July 29, 1974, p. 12; see appendix C-218; see also records of Sun Myung Moon bank accounts at Chase Manhattan Bank, N.Y.

<sup>355</sup> KI-4, p. 324, testimony of Pak Bo Hi.

<sup>356</sup> KI-4, p. 324, testimony of Pak Bo Hi. See also financial records of Unification Church International, (appendix C-281, 282, and 283), which carry notations next to amounts brought in from overseas suggesting that the money was "divided" among numerous persons.

<sup>357</sup> See pp. 378-381 of this section for further detail.

The UCI account maintained at the DNB (and later also at Rigg National Bank in Washington, D.C.) was an important depositor for money brought into the United States.<sup>358</sup> Money collected in this account was dispatched to a wide variety of business, church and personal accounts, usually on orders from Moon or Pak. In one transfer order in March 1977, Moon sent \$100,000 from the UC account to a bank in Korea; in an accompanying letter, Pak Bo H gave instructions for this money to be put into individual bank accounts, including over \$50,000 to an account maintained by Kir Won Pil (Kim at the time was a UCI director).<sup>359</sup>

These transfers from the UCI account to various Moon Organization businesses—whose officers and directors overlap with UC and other nonprofit components of the organization—are discussed elsewhere,<sup>360</sup> but it should be noted that the UCI financial records characterized these businesses as “subsidiaries” of UCI.<sup>361</sup>

There is evidence that Moon Organization facilities, particularly the KCFF, were used to bring money out of Korea to the United States, specifically by having an individual make a loan to the KCFF office in Korea, which was then repaid out of KCFF funds in Washington. Chung Il Kwon, former Korean Prime Minister and later National Assembly Speaker, transferred \$40,000 to the United States in 1971 using this technique;<sup>362</sup> Lee Kwang Jae, a Washington broadcaster, brought in \$20,800 in 1975 through the KCFF.<sup>363</sup> A number of “scholarships” awarded by KCFF appeared to have been covers for currency transfers from Korea.<sup>364</sup>

### *Political activities by the Moon Organization*

Moon Organization spokesmen, well aware of U.S. restrictions on political activities by tax-exempt groups, frequently explained seemingly political activities in religious terms. Neil Salonen maintained before the Subcommittee “\* \* \* our feelings regarding the philosophy and doctrines of Communism are not political feeling; they are spiritual religious feelings \* \* \*.”<sup>365</sup> An application of the religious anti-Communism was the UC’s attitude toward North Korea, which was seen as the purest embodiment of Communist God’s chosen nation, South Korea, must therefore triumph over its northern adversary. Thus, the UC could assert that U.S. troops must remain in South Korea as a “religious teaching.”<sup>366</sup>

Based on this and similar doctrines, Moon’s followers engaged in a wide variety of activities which they would later characterize as “religious.” Support of Richard Nixon during the impeachment proceedings was not political, but rather an effort “\* \* \* to get people to think more in terms of turning to God for their answer to Watergate.”<sup>367</sup> A Capitol Hill public relations team, organized to develop contacts with Senators and Congressmen, was similar

<sup>358</sup> See p. 322 of this section.

<sup>359</sup> Financial records of Unification Church International; see appendix C-250.

<sup>360</sup> See pp. 322, 382 of this section.

<sup>361</sup> Financial records of Unification Church International; see appendix C-283.

<sup>362</sup> KI-4 Supplement, pp. 676-678; KI-4, pp. 444-445; Kim Chong Hoon statement.

<sup>363</sup> Subcommittee staff interview with Lee Kwang Jae; KI-4, pp. 470-472.

<sup>364</sup> Subcommittee staff interview with Donald Miller.

<sup>365</sup> Testimony of Neil Salonen, SIO executive session, Sept. 30, 1976.

<sup>366</sup> Testimony of Neil Salonen, New York City Tax Commission hearings, Jan. 5, 1977, p. 1.

<sup>367</sup> Testimony of Dan Fefferman, KI-2, p. 34.

characterized as part of an effort to remind legislators of spiritual values.

Demonstrations at the U.N. and elsewhere were portrayed in terms of religious opposition to Communism. Even participation by UC members in a Moon Organization fishing business was said to be part of their spiritual training because "it requires great patience and is a test of the mind and body" and because it is "a religious experience" symbolic of fishing for the souls of men.<sup>368</sup>

At the same time that Moon Organization spokesmen define what constitutes religious activity broadly, they seek to define what constitutes political activity narrowly. As described by Dan Fefferman before the Subcommittee, there are but two types of activities which could properly be labeled political: to attempt to influence pending legislation, and to support a candidate for public office. [In fact, these activities are specifically excluded by the corporate charter of the UC.]

Some observers, however, see goals in the Moon Organization's activities which are clearly political, including those carried on by the Unification Church. Allen Tate Wood, testified that in his view the UC was not a church at all:

It is my contention that it is certainly not a church. It is certainly a political organization which clearly has partisan objectives.<sup>369</sup>

Another ex-member said that her experience in the church led her to believe that Moon intended to make UC members into "a little political army."<sup>370</sup> The opinion rendered by the New York Tax Commission in denying tax-exemption for certain UC properties stated:

Though the applicant association does in certain aspects bespeak of a religious association, it is in our opinion so threaded with political motives and activities that requires us to deny its application.<sup>371</sup>

It is also interesting to note that Moon himself saw danger in linking politics to his spiritual movement. In relation to the anti-communist ideology, Moon said:

One thing that makes it difficult for us to advance full-stream [sic] is that we cannot quite proclaim our movement as a church on the foundation of the V.O.C. [Victory Over Communism] ideology \* \* \* We must, at any cost, let the people know that Unified Thought, our philosophy, is based on our theological doctrine. Otherwise, we cannot connect the V.O.C. movement with our church movement.<sup>372</sup>

In 1974, while preparing his followers for a demonstration at the U.N. against withdrawal of troops from South Korea Moon said:

You must remember that you should not be saying anything in political terms. You must say, "We are not concerned about political things. We are not doing this for political reasons, but out of humanitarian motivation."<sup>373</sup>

Similarly, UC members undertaking activities on behalf of President Nixon were to achieve a "political effect caused by a religious concern,"<sup>374</sup> while avoiding being pinned down as to the real object of their "Project Watergate" campaign. The members were cautioned:

<sup>368</sup> Newsweek, Sept. 11, 1978.

<sup>369</sup> Allen Tate Wood, SIO-II, June 22, 1976, p. 25.

<sup>370</sup> Subcommittee staff interview with a UC member.

<sup>371</sup> New York City Tax Commission opinion which was being appealed at time of publication.

<sup>372</sup> Master Speaks, Jan. 30, 1973, p. 4; see appendix C-211.

<sup>373</sup> Master Speaks, Oct. 20, 1974, p. 19; see appendix C-222.

<sup>374</sup> Testimony of Dan Fefferman, KI-2, p. 26.

If necessary, take a more political stance; only do it delicately. No newspaper accepted the Watergate Declaration as an ad at religious rates.<sup>375</sup>

The Subcommittee found substantial evidence indicating that the Moon Organization, through its components, had engaged in political activities in the United States not covered by the charters of those organizations. This was true even using the narrower definition of "political activity" preferred by Moon Organization spokesmen.

As noted earlier, former president of the FLF Allen Tate Wood testified to the political aims of that organization. Wood said Moon's aim was to make the ROK Government dependent on him, and thereafter to use similar techniques in other countries:

He wanted President Park to become absolutely dependent on him \* \* \* He would talk about the way we would work in South Korea, the way we would gain the allegiance of the South Korean Government, and that was a model for winning control of other countries, the United States included. Very simply, it is the same plan as that for winning a Congressman or a Senator.<sup>376</sup>

Wood described Moon's technique for achieving political control and influence:

You make yourself available to serve, and you serve that man with whatever it is. You carry out his orders. You carry out his directives until he trusts you absolutely, whether it is political work, economic work, or social work. Then finally when your services have become indispensable, then you begin to dictate policy. If he deviates from the policy you have set, you withdraw your support, and he is powerless. So he has no choice but to follow you.

Basically, it is "I am going to serve you to death," approach.<sup>377</sup>

In a May 1973 speech, Moon told UC members in the United States " \* \* \* I am not going to send you into the political field right away—but later on when we are prepared."<sup>378</sup> Although Moon had laid the foundation for political work in this country prior to 1973, his U.S. followers became more openly involved in political activities in that and subsequent years.

Some of the Moon Organization's political activities in the United States from the early to mid-1970's are described below. As will be noted, these activities employed the "I am going to serve you" approach described by Wood and were calculated to enhance Moon's political influence in Seoul.

#### *Activities in support of Nixon*

In early November 1973, Joseph Kennedy, a consultant hired by the Unification Church in connection with the Day of Hope Rally in Atlanta, Ga., expressed to Pak Bo Hi his concern over President Nixon and Watergate. He also described an essay written by Lincoln on the technique of national prayer and fasting in times of national crisis.

On November 30, 1973, shortly after Moon returned from a 2-week trip to Korea and Japan, full-page ads appeared in the New York Times, the Washington Post, and the San Francisco Chronicle featuring a photograph of Sun Myung Moon and a bold headline declaring "America in Crisis; answer to Watergate; Forgive, Love, Unite." Over the next few months this Watergate statement was

<sup>375</sup> Memorandum of the "Project Watergate Regional Meeting" dated Dec. 29, 1973, reprinted in KI-2, p. 27. See below for a description of the "Watergate Statement."

<sup>376</sup> Allen Tate Wood testimony, SIO-II, June 22, 1976, pp. 39-40.

<sup>377</sup> SIO-II, p. 40.

<sup>378</sup> "Master Speaks" May 17, 1973, p. 13. See appendix C-212.

ublished in 50 other newspapers. Each State UC center and every individual in those centers were instructed by Neil Salonen to send telegrams to President Nixon, the Washington Post, and the New York Times declaring their support of Moon's Watergate statement.<sup>379</sup> This was paralleled by fasting and prayers. Though Moon proclaimed that the campaign was his creation, Kennedy and a former member of the UC both told the subcommittee that the majority of the ideas contained in the Watergate statement were Kennedy's.

Reaction from the White House was immediate and favorable. President Nixon expressed his appreciation to Moon in a letter dated December 11, 1973. The National Prayer and Fast Committee, a UC organization created to coordinate activities related to the Watergate statement, was invited to attend the national Christmas tree lighting ceremony on the evening of December 14, 1973. The roughly 1,200 UC members who attended quickly turned the ceremony into a support the President rally. They were well-rehearsed, having practiced earlier.

John Nidecker, special assistant to President Nixon and President Ford, testified that Nixon was furious with the group for turning a national religious event into a political rally.<sup>380</sup> However, when the same group held a candlelight vigil opposite the White House later that same evening, Nixon greeted Salonen and several of the participants. Rallies for Nixon by UC members acting under the aegis of Project Watergate and the National Prayer and Fast Committee were held in several other U.S. cities, as well. Demonstrations were held in Tokyo, England, Germany, and Italy as well. As a result of these efforts, Kennedy, through Bruce Herschenson, a White House aide, arranged for Moon to be invited to the residential prayer breakfast held on February 1, 1974. Later that day, Moon met briefly with President Nixon in the White House.<sup>381</sup> The relationship between the UC and President Nixon had not always been so cordial. On February 28, 1972, a demonstration protesting Nixon's visit to the People's Republic of China was staged by the FLF and Washington, D.C., UC members.<sup>382</sup>

From July 22 to 25, 1974, 600 UC supporters of the National Prayer and Fast Committee held a 3-day fast on the steps of the Capitol. Each participant wore a poster-sized photograph of a Congressman. Several Congressmen were photographed with the individual praying and fasting for them and addressed the entire group. Moon was actively involved with this fast, apparently passing on such details as which group's name should appear on the banners and whether the Members of Congress should come out to the steps or fast participants go to their offices.<sup>383</sup> At the end of the demonstration, a telegram from President Nixon was read to the leaders by Herschenson.

Subcommittee interviews of participants in the fast and internal UC documents indicated that Moon's Watergate activities were timed in large part at stopping Nixon's impeachment and enhancing Moon's position. In a July 29, 1974 address to those UC mem-

<sup>379</sup> KI-2, pp. 9-11.

<sup>380</sup> KI-5, p. 16.

<sup>381</sup> Washington Post, Feb. 15, 1974.

<sup>382</sup> Washington Star-News, Feb. 28, 1972.

<sup>383</sup> Memorandum from Judy Green to Neil Salonen, July 17, 1974; see appendix C-239.

bers who had participated in the fast the following exchange took place:

*Question.* Father, what do you think will happen with President Nixon \* \* \*

*Answer.* Even if many people label somebody as dying not all of them will die. In this dying person, Nixon, is revived, then Reverend Moon's name will be more popular and famous, right? He may plan one more fasting campaign during the final stage of impeachment proceedings, at the Senators level. \* \* \* In the Senate forum, if they cannot get more than two-thirds of the vote, impeachment will be automatically cancelled. So, he is exploring this area right now.<sup>384</sup>

Two days later, Moon was even more specific:

\* \* \* Father is planning a final strategy before the impeachment proceedings in the Senate. \* \* \* We prepared a long time ago through the PR team [see below] making a friendly relationship with Senators, beginning already a few years ago. Why? This has been done to prevent a two-thirds vote against Nixon, to save Nixon and this nation.<sup>385</sup>

Two former members of the UC told the subcommittee of the second purpose of the Watergate activities which had definite political overtones: to impress the Government of the ROK with the strength and influence of the UC in the United States.<sup>386</sup> As a result, the stature of Moon would increase in the eyes of President Park. An article written by Neil Salonen in the April 21, 1974 edition of "New Hope News" corroborated this view.

When Father came to the United States, his primary purpose was to do things that would make him influential in Korea. The Day of Hope Tour and especially the rallies in support of President Nixon, were far more significant due to the impact they had in Korea rather than their impact here.<sup>387</sup>

The PR team mentioned by Moon in his remarks about Nixon was one of the first projects initiated by Moon after his arrival in the U.S. in December 1971. The team, smaller than originally planned,<sup>388</sup> consisted of a group of young, female UC members who were given three tasks: to develop friendships with Congressmen or members of their staff; to explain the UC and dispel any negative views of it; and to insure that the Congressman or staff became supporters of the ROK. The last goal, when achieved, would serve to impress the Korean Government as to Moon's influence in the United States.

When a sufficient friendship had been established, the individual was invited for dinner at a suite in the Washington Hilton. He or she would be shown a film on the UC. Prior to August 1975, the team consisted of eight members, headed by the Japanese UC members. After that date, 12 new members (9 women, 3 men) joined for what was described as at least a 3-year assignment. From August 1975 until the end of the year, a former member of the PR

<sup>384</sup> Master Speaks, July 29, 1974, p. 15. See appendix C-218.

<sup>385</sup> Master Speaks, July 31, 1974, p. 2. See appendix C-219.

<sup>386</sup> Subcommittee staff interviews.

<sup>387</sup> Document submitted for the record, KI-2, p. 5.

<sup>388</sup> In a speech to his followers in December 1971, Moon stated that:

"\* \* \* Master [Moon] will assign 3 young ladies to each Senator \* \* \* To restore the Senate you first must make the aides your friends, particularly secretaries." (Master Speaks, Dec. 1, 1971, p. 9. See appendix C-209.)

In May 1973, Moon again expressed his interest in having Unification Church members develop a close relationship with U.S. Congressmen: "Master needs many good looking girls—30. He will assign three girls to one Senator \* \* \* One is for the election, one is to be the diplomat, one is for the party. If our girls are superior to the Senators in many ways, then the Senate will just be taken by our members." (Untitled address on "training plans," May 7, 1973. See appendix C-231.)

eam recalled that approximately five Congressmen and five or six staff members attended these dinners.<sup>389</sup>

Neil Salonen provided the PR team with a list of guidelines in June 1974. One of the recommendations was that the PR team:

Distinguish among the projects and organizations which Rev. Moon has founded, and be aware of which ones a given Member of Congress has supported. In many cases, support of one does not imply support of all—if they are treated as separate projects, then it will be easier for a member of Congress to unite with us on common ground.<sup>390</sup>

Salonen thus illustrated one of the advantages to the Moon organization of maintaining the facade of separate and independent organizations.

In time, some members of the PR team were able to secure employment in congressional offices. In at least some cases, the member of Congress did not know the staffer was part of Moon's PR team.<sup>391</sup>

On at least one occasion, a member of the PR team visited a congressional office and suggested that the chairman of the subcommittee and some of its staff were Communist sympathizers. This was during a Moon Organization campaign to discredit the subcommittee's investigation.

It is difficult to assess the degree to which the PR team succeeded in creating influence for Moon in the Congress or obtained inside knowledge of congressional actions. The subcommittee did not conduct systematic inquiries of Senators, Congressmen, and their staffs in this regard. However, it is to be noted that Moon was honored at a congressional reception and had his picture taken with numerous Senators and Congressmen, and the Moon Organization used congressional names to enhance its own prestige and to raise funds.

### *Anti-Japanese demonstration*

During the 1976 hearings, the subcommittee learned that Moon's followers had participated in plans for an anti-Japanese demonstration. Information gathered in the course of the investigation concerned the roles played by the Moon Organization and the KCIA in planning this demonstration, which was to have taken place on September 4, 1974.

A declassified summary of U.S. intelligence agency reports described the circumstances as follows:

In September of 1974, anti-Japanese demonstrations were planned in Washington, Los Angeles, San Francisco, and New York on orders from Seoul. The head of the Washington KCIA arranged with Moon's group for demonstrations in front of the Japanese Embassy and the White House.

The KCIA had used Moon and members of his Unification Church to stage rallies in the United States in support of Korean Government policies and aims, and on at least one occasion Moon received KCIA funds for that purpose.

Due to State Department objections, the planned anti-Japanese rallies had to be called off at the last minute by the KCIA chief through one of Reverend Moon's subordinates. The thousands of dollars already expended on the aborted demonstration had to be written off to good will.<sup>392</sup>

<sup>389</sup> Subcommittee staff interview with a UC member.

<sup>390</sup> Letter from Neil Salonen to Mitsuko Matsuda, June 4, 1974. See appendix C-238.

<sup>391</sup> Subcommittee staff interview with UC member.

<sup>392</sup> KI-5, pp. 71-72.

Evidence from other sources confirmed that the demonstration had been both planned and canceled by the KCIA, with the active cooperation of the Moon Organization.

The demonstration was in relation to the assassination of President Park's wife by a Korean resident of Japan in 1974,<sup>393</sup> which along with the Kim Dae Jung kidnapping by the KCIA,<sup>394</sup> had caused relations between Japan and South Korea to deteriorate. Over a period of several weeks, anti-Japanese demonstrations sponsored by the Korean Government had been held in Seoul demanding greater cooperation by the Japanese Government in the investigation of the assassination.

In early September 1974, President Ford announced a planned visit to Japan, which did not include a stop in Seoul. There were also plans for Japanese Prime Minister Tanaka to visit Washington in September. These developments were interpreted by the Korean Government to mean that the United States was siding with Japan in its dispute with Korea. In response, the Korean Government ordered anti-Japanese demonstrations.

The Seoul headquarters of the KCIA instructed the Washington KCIA station to organize an anti-Japanese demonstration in the capitol. Kim Sang Keun, a KCIA officer in Washington at the time saw the order from Seoul; he attempted to persuade local Korean residents to stage an anti-Japanese demonstration but was unsuccessful. Kim was told later by a fellow KCIA officer, Lim Kyuil that KCIA headquarters in Seoul had sent subsequent instruction to cancel all demonstrations. However, American UC members had already begun to march to the Japanese Embassy and were in the area of the Korean Embassy. Lim had to go out and halt the demonstration.<sup>395</sup>

According to Dan Fefferman, secretary-general of FLF in 1974 FLF staff had held general discussions about a demonstration prior to September 14. The actual decision to hold a demonstration was finalized on September 12 or 13. It was to begin with a rally at Dupont Circle, and on September 14, FLF and UC members congregated there.<sup>396</sup> The idea of sending a small group to throw eggs at the Japanese Embassy was also discussed. Chris Elkins, a member of the group which was to carry out the egg-throwing, testified that plans were called off at the last minute by Neil Salonen. Salonen had made a phone call from the FLF office near Dupont Circle and afterward told Elkins and the others that Moon had told him that egg-throwing "would not be necessary." President Ford had agreed to make a stop in Korea on his forthcoming trip, and this would show American support for Korea.<sup>397</sup> No public announcement was made of Ford's plan to stop in Korea until September 21. Thus Elkins' account implies that Salonen—through Moon—had an inside source for this information.

Elkins and the others who were to engage in the egg-throwing were separated from the main body of demonstrators who had marched from Dupont Circle to the Korean Embassy. A former UC

<sup>393</sup> See "Part B: Review of Korean-American Relations," p. 45.

<sup>394</sup> *Ibid.*, p. 42.

<sup>395</sup> KI-5, p. 71; see also "Part C-III: Executive Branch of Questionable Korea Activities," p. 151.

<sup>396</sup> KI-2, pp. 44-45.

<sup>397</sup> SIO-II, p. 49.

member who took part in this march recalled that while the demonstrators were near the Korean Embassy, someone came out of the Embassy and spoke to Neil Salonen. Shortly afterwards Salonen called the demonstration off.<sup>398</sup> Salonen, on the other hand, testified that he decided on his own to call off the demonstration while demonstrators were still gathered at Dupont Circle.<sup>399</sup>

Donald Ranard, head of the Korea desk at the Department of State at the time, said he learned in advance of KCIA plans to organize an anti-Japanese rally. On September 13, he contacted the Korean Embassy and advised officials there to call off any such demonstration. This was less than 24 hours before the demonstration by UC members was called off, an event which took place shortly after the KCIA sent cancellation orders.

A speech by Moon, made 1 week after the aborted demonstration, contained the following passage alluding to contact between Moon and the Korean Government in connection with this demonstration:

On the 12th of September, the Korean Government did something to connect with me, and without their having done that, the world situation could have been brought into turmoil and tension again. Centering on our Madison Square Garden project, all those things took place, but without your knowing it. Some of you may have known that in Washington, D.C. I had planned to have a demonstration and have you protest before the Korean Embassy and the Japanese Embassy to arouse the attention of the people of the United States, but we had to quit that. We were stopped 30 minutes before it was due to begin. In fact, we didn't have to do the demonstration.<sup>400</sup>

Based upon executive branch reports, testimony by Kim Sang-eun, Donald Ranard, Chris Elkins, and Dan Fefferman, an interview of a participant in the demonstration, and Moon's own description of the events of September 12-14, the subcommittee concluded that Moon—through his organization—acted under the direction of the KCIA on this occasion. The demonstration was designed in part to influence U.S. policy toward Japan and Korea. It was canceled on orders from the KCIA in response to a State Department protest.

#### *Moon Organization participation in election campaigns*

The Subcommittee learned of two instances of Moon Organization involvement in American election campaigns. Chris Elkins testified before the Subcommittee that the FLF actively participated in the election contest between Charles Stephens and Richard Ottinger in October 1974 on behalf of Stephens.<sup>401</sup> In the late 1960's, Stephens had founded and partially financed "American Youth for a Just Peace." Both UC and non-UC members participated; two of the three officers were UC members.<sup>402</sup> The anti-Communist philosophy of the AYJP and the FLF had encouraged close ties between the two groups. However, in May 1971, the AYJP ran out of funds and disbanded, and Stephens left Washington, D.C. to enter New York politics.

According to Stephens, Dan Fefferman had provided some UC volunteers for Stephens' 1972 New York State Assembly campaign.

<sup>398</sup> Subcommittee staff interview with former UC member.

<sup>399</sup> Testimony of Neil Salonen, SIO Executive Session, Sept. 30, 1976.

<sup>400</sup> Master Speaks, Sept. 22, 1974, p. 7. See appendix C-221.

<sup>401</sup> SIO-II, pp.51-52.

<sup>402</sup> Testimony of Neil Salonen, SIO executive session, Sept. 30, 1976.

In 1974, Stephens asked Salonen for volunteer campaign worker for his congressional campaign. Stephens said that Salonen first checked with Moon, then provided four workers from the FLI. Fefferman himself played no role in the 1974 campaign. In his "Response to the testimony of Chris Elkins," Salonen explained that:

\* \* \* If some members voluntarily wanted to work for Mr. Stephens they were free to do so as they pleased. Mr. Stephens was a personal friend of some of the FLI staff and he certainly could have asked them for help. They then could take a leave of absence from the FLF where they worked as volunteers, and join his campaign as private citizens.<sup>403</sup>

This statement obscured Salonen's own role in providing volunteers for the Stephens campaign, which he did after checking with Moon and apparently obtaining Moon's approval.

In his testimony of September 27, 1976, Elkins also described the participation of the New Hampshire Unification Church in the 1974 senatorial campaign of Louis Wyman.<sup>404</sup> Both the candidate and his campaign manager, Norman Packard, recalled the assistance of Michael Smith, head of the New Hampshire UC member. In his "Response to the testimony of Chris Elkins," Salonen stated:

\* \* \* Mr. Michael Smith, a church leader in New Hampshire had been attending prayer meetings with Mr. Wyman, who was impressed with the quality of his dedication and commented that such people would make good staff members.

Salonen's statement failed to mention that the New Hampshire UC had helped the Wyman campaign.

#### *Activities at the United Nations*

At the opening of the U.N. General Assembly Session in 1974, it appeared that a North Korean-backed resolution calling for the dissolution of the U.N. Command in Korea was likely to succeed. The psychological and political impact on the Republic of Korea would have been considerable. Moon believed that passage of the resolution would lead to a withdrawal of U.S. forces and heighten the probability of a North Korean invasion.<sup>405</sup>

To prevent such events, Moon hoped to sway U.N. delegates by calling their attention to the difficulties of some 6,000 Japanese wives who had returned to North Korea with their husbands. From October 22 to 29, 1974, approximately 600 UC members fasted in front of the United Nations under the auspices of the "American Committee for Human Rights of Japanese Wives of North Korea Repatriates."

Moon, in a talk at his headquarters in Tarrytown, N.Y., 2 days before the fast, emphasized the humanitarian goals of the event and denied any political aims:

The master of the Unification Church, Reverend Moon, having known all the facts, has endeavored to expose them, and we are now at the culmination of our activities. We will reflect it in the U.N. Assembly, and we are going to bring it on the scene of the whole world. I am not doing this as a politician with ambition but I am doing this for humanitarian purposes under the will of God. That's all

<sup>403</sup> Ibid.

<sup>404</sup> SIO-II, p. 52.

<sup>405</sup> Testimony of Neil Salonen, SIO executive session, Sept. 30, 1976.

<sup>406</sup> Master Speaks, Oct. 20, 1974. See appendix C-222.

<sup>407</sup> Master Speaks, Oct. 20, 1974. See appendix C-222.

however, he indicated an ulterior motive when he cautioned fasters not to speak in political terms.

*You must remember that you should not be saying anything in political terms. You must say, "We are not concerned about political things. We are not doing this for political reasons, but out of humanitarian motivation." Then this is the best chance for us to realize multiple goals.* Perhaps one of the reporters would stick out the microphone and ask you if Reverend Moon said anything political to you to encourage you. Then you can clearly answer that Reverend Moon has always said things in terms of God's providence and that in the will of God we must do this and that, but never once has he said things in political terms. We are motivated to do things for religious reasons and for humanitarian reasons. That's why we are doing this. That is your answer. (Italics added)<sup>408</sup>

A 1975 compilation of lectures given by Ken Sudo during a 120-day training session held for UC members also showed a different picture of the fast.

In the United Nations, the propaganda from North Korea is very strong. UN delegates from all over the world were about to become involved with the North Korean delegates. When we started, we started. And we invited to Belvedere many delegates from the United Nations. And we fasted for seven days against North Korea just in front of the United Nations and we persuaded, persuaded, and persuaded and when we sent the letter, we got victory. Because of all sorts of Unification Church members, North Korea was defeated. The United Nations decided to stay in South Korea, therefore, Father was very happy to see this victory.

Therefore, the Korean Government is much indebted to the Unification Church. [UC member]: Last year, when we started at the United Nations, there were 21 nations supporting South Korea and 34 supporting North Korea. And when the vote came up, there were 61 nations (which was an increase of 40) supporting South Korea. Another question that was brought up in the UN was the question of unifying Korea. Unlike the troop vote, that vote was secret. We wrote a lot of them and that came out 48 to 48. They are going to vote again next year. So there are 78 nations that are neutral. Before next year we've got to change those 78 nations to support South Korea. So that is our job with the UN.<sup>409</sup>

For at least 1 year before the October 1974 fast and at least until 1978, The New World Forum, a Unification Church public relations organization at the U.N., had been active in contacting U.N. officials, inviting them to dinner at the Belvedere Mansion in Tarrytown, N.Y., and, over time, sought to develop positive relationships. Ten UC members generally worked for The New World Forum under the direction of Kiyoshi Nishi, Choi Sang Ik, and Michael Runyon, although at times as many as 25 were involved.<sup>410</sup>

After the ROK U.N. Observer Mission in New York received a number of complaints in 1975 about these lobbying efforts, the Korean Ambassador in Washington instructed the head of the CIA's Washington station to discuss the situation with Moon or other appropriate UC officials. Within 3 months, this same KCIA station chief, who had been opposed to Moon, was instructed by the director of the KCIA in Seoul to cooperate with Moon because Moon was viewed as a positive factor in building ROK relations with the United States.<sup>411</sup>

This shift in attitude toward Moon's political activities appeared to reflect differing perceptions within the ROK Government of Moon's power, influence, and effect on Korean-American relations. As discussed elsewhere, the Moon Organization had allies within the ROK Government and benefited from a variety of ties to the

<sup>408</sup> Ibid.

<sup>409</sup> 120 Day Training Manual, 1975 p. 55. See appendix C-240

<sup>410</sup> Subcommittee staff interview with former UC member.

<sup>411</sup> Declassified summaries of U.S. intelligence reports. KI-5, pp.77-78.

Government.<sup>412</sup> However, to the extent that the Moon Organization was perceived to be a threat or a political liability, the Korean Government tried to dissociate itself from it, as exemplified by the cancellation of the Little Angels' passports in late 1976 and the prosecution of Il Hwa officers in 1977. Yet later in 1977, Moon Organization representatives appeared in the United States to negotiate a defense contract, with the apparent knowledge and backing of the Korean Government. This inconsistency in the ROK Government's attitude toward Moon Organization activities paralleled the experience of others carrying on pro-ROK influence activities. For example, the Korean Government similarly disavowed any relationship with Tongsun Park when he became controversial in the United States.

Like Tongsun Park, Moon attempted to create a favorable image in Seoul. The activities of his followers were planned for their public relations value and their potential for increasing his political power in Korea and in other countries as well.

#### *Moon use of prominent Americans*

To create an image of power and respectability, Moon made skillful use of his meetings with prominent persons and used their fame to enhance his own. One witness described how in 1965 Moon had maneuvered, through Yang You Chan, a former Korean American ambassador, to arrange a meeting with President Dwight D. Eisenhower. Moon remarked later that Eisenhower had "paid his bill in full," meaning "that Eisenhower had opened all the doors for Su Myung Moon." As a result, Moon "would be recognized by national and international leaders."<sup>413</sup>

During the 1973-74 Day of Hope tour, Moon's followers solicited endorsements and congratulatory messages from political and church leaders around the United States at the Federal, State, and local levels. Moon commented to his followers on the significance of this effort:

This initial effort was well rewarded when I began the Day of Hope tour. As you know, they have sent many telegrams and congratulatory messages. In doing this they are lending us the entire weight of their names. \* \* \* This will lift our movement up to the pinnacle.<sup>414</sup>

Moon explained how obtaining endorsements from a few prominent persons made it easier to obtain others:

When you go get the proclamations in your various cities and you meet the Mayors, it is easy, because your foundation has been laid. All you have to do is show other proclamations, other letters, and say what other people have done to honor Father.<sup>415</sup>

Moon's apparent acceptance by American political leaders, coupled with his ability to turn out hundreds of disciplined followers for rallies and demonstrations, were assets enabling him to solidify his and his organization's ties with the Government.

#### *Activities of the Korean American Political Association*

In a speech on December 27, 1971, Moon stated that he intended "to make an Asian-American political association" as part of his

<sup>412</sup> See p. 351-372 of this section.

<sup>413</sup> Testimony of Larry Mays, KI-4, p. 602.

<sup>414</sup> Master Speaks, Mar. 24, 1974, p. 9. See appendix C-215.

<sup>415</sup> Ibid.

fort to strengthen the anti-Communist movements in the United States.<sup>416</sup> Moon also suggested in the same speech that money was to be raised by the Moon Organization to finance this political association. At about this time, an organization fitting Moon's description, the Korean American Political Association (KAPA), was being set up, financed in part by members of the Moon Organization.

KAPA had been started in December 1970 by Kim Yong Baik after consultations with Kim Doo Whan, the Consul at the Korean consulate in San Francisco. Consul Kim introduced Kim Yong Baik to Choi Sang Ik, head of the International Re-education Foundation, another part of the Moon organization. Consul Kim suggested Choi as a possible president and potential source of funds for KAPA. Choi accepted the position and agreed to provide financial support. After Consul Kim retired from the Korean foreign service, he became KAPA vice president; in 1975 he succeeded Choi as president. Branch chapters of KAPA were established in 10 other American cities.

The stated purpose of KAPA was to organize Korean Americans and Korean residents into a nationwide organization designed to encourage their political participation and represent their interests in U.S. politics. The organizers of KAPA hoped to mobilize Korean communities to help elect political candidates through financial contributions and active participation in their campaigns. The laws call for the appointment of a KAPA lobbyist in Washington, D.C., to serve the interests of the Korean minority.<sup>417</sup> Federal income tax returns indicate that initial funding in 1971 came from contributions by two individuals, Choi Sang Ik (\$19,166.16) and Lee Hwal Woong (\$10,000). Lee was a consul at the ROK consulate in Los Angeles from late 1968 through November 1971. According to Lee, he was asked by Consul Kim Doo Whan to raise funds for KAPA and succeeded in securing a \$10,000 contribution from Los Angeles businessman Kim Joong Chung, which Lee passed along to KAPA.<sup>418</sup> In addition, KAPA received loans from private individuals affiliated with the International Re-education Foundation in San Francisco and from the foundation itself.

According to KAPA records, it received approximately \$1,500 per month from Choi Sang Ik between 1972 and 1975 to offset operating costs. From 1975 to 1977, Cho Woo Euk Man, another Moon organization figure who lives in Hawaii, assumed responsibility for these monthly payments and became chairman of the board of directors. In all, Cho Woo contributed over \$26,000 to KAPA. Other small contributions to KAPA were made by private individuals periodically during its lifetime. For example, Park Tongsun told the subcommittee he gave KAPA \$500.

The principal activity of KAPA in its first year of operation was the inaugural convention on December 11, 1971, held at the Re-education Association in San Francisco. Former Congressman Richard Hanna told the subcommittee that he was asked by Pak Bo Hi,

<sup>416</sup> Master Speaks, Dec. 27, 1971, p. 10. See appendix C-207.

<sup>417</sup> This description is based on staff interviews with Kim Yong Baik and Kim Du Whan and KAPA documents in the possession of the subcommittee.

<sup>418</sup> Staff interview with Lee Hwal Woong on Oct. 23, 1978.

an associate of Sun Myung Moon, to be the guest speaker at the convention.<sup>419</sup>

KAPA activities included supporting the campaigns of various National and State politicians. On several occasions, KAPA donated funds to these campaigns. In 1974, it contributed \$5,000 to the gubernatorial campaign of Edmund G. Brown. After the campaign Mayor Alioto offered KAPA the opportunity to suggest the name of members of the Korean community to be considered for the position of city commissioner. Before suggesting anyone, Choi San Ik, KAPA president, wrote to the ROK Consul General of San Francisco on January 24, 1972, and asked for his recommendations. The Consul General, declined to make any.

A number of incidents in 1972 indicated that some KAPA leader attempted to use the organization to promote the policies of the ROK Government within the United States. While in Seoul in 1972, Kim Yong Baik, the Secretary General, drafted a letter to the director of the KCIA in which he stated that KAPA intended to contribute to the ROK by forming a union of the 100,000 Koreans in the United States. He asked the director's immediate attention in order to help realize "a more intimate bond between KAPA and the Government of the motherland." He proposed that KAPA would conduct anti-Communist educational activities and work against the invitation of North Korea to the U.N. Noting that KAPA members who were U.S. citizens could easily contact members of the House and Senate and give them a new understanding of Korea, he proposed giving KAPA leaders diplomatic training at the Korean Foreign Service Institute. He implied that KAPA would promote the interests of the Korean Government in choosing which Presidential candidate to support. He also stated that KAPA would foster patriotism for the ROK among young Korean Americans by teaching Korean language and history.<sup>420</sup> In the end he told the subcommittee, although he drafted this letter he thought better of it and did not send it.

Later that same year, Kim drafted a letter to President Park Chung Hee, praising Park's achievements and repeating many of the proposals he had included in his earlier draft letter to the KCIA director. In an enclosure to the letter, Kim wrote that he had been inspired to organize KAPA in 1969 when, after meeting with President Park in San Francisco, he realized that Korean residents' associations were not able to carry out the political policy of the ROK Government. Kim suggested that KAPA be the American counterpart of "Mindan," the pro-Government, Korean resident organization in Japan. Further, Kim asked for anti-Communist training in Korea for KAPA members and financial support for an anti-Communist movement in the United States. Kim also expressed the hope of KAPA—which he claimed represented all Korean Americans—that President Park would be reelected in the next elections, scheduled for 1975.<sup>421</sup> As with the earlier letter Kim decided not to send it.

The Presidential election was not held because of the establishment of the Yushin system in October 1972. The Yushin declar-

<sup>419</sup> Subcommittee staff interview with Richard Hanna; see appendix C-303 for a copy of KAPA inaugural convention program.

<sup>420</sup> See appendix C-304.

<sup>421</sup> See appendix C-305.

on provoked controversy in the Korean community in the United States. KAPA leaders, including Choi Sang Ik and Kim Yong Baik, acted quickly to release a resolution expressing full support of Park's Yushin measures in the name of KAPA members. Explaining this decision in a newspaper interview, Choi said the resolution was adopted because the reunification of Korea required the establishment of a strong domestic political system.<sup>422</sup> This controversial action contributed to dissension within KAPA and in the Korean community.

Also in 1972, KAPA organized a trip to Korea for its leaders to be partially financed by the Korean Government. According to the letter from Kim Yong Baik inviting members to join the trip, they would meet President Park and other high officials.

Because of its controversial support of the Government and the relationship with the Unification Church, KAPA did not succeed in establishing a broad basis of support in the Korean community and has been inactive since 1977.

#### *Ties with the ROK Government, agencies, and officials*

The Moon organization's willingness to conduct a demonstration at the Japanese Embassy for the KCIA is one illustration of its involvement with the ROK Government. The subcommittee found extensive, additional evidence of operational ties between the Moon Organization and the ROK Government, its agencies, and officials. These ties are far more complex and intimate than either the Korean Government or the Moon Organization has admitted publicly. They have resulted in Moon Organization policies and activities which:

- (1) were carried out under the direction and control of ROK agencies and officials;
- (2) were coordinated with Korean agencies and officials;
- (3) were carried out with the intention of affecting Korean-American relations.

In investigating ROK Government-Moon Organization ties, the subcommittee used executive branch reports to provide leads and a framework within which to analyze information collected from other sources. Insofar as possible, attempts were made to verify or refute information found in the reports. The subcommittee determined that major portions of the reports were substantiated by other information and evidence.

As discussed elsewhere,<sup>423</sup> Moon's goals go beyond serving the interests of the Korean Government and include gaining control over secular institutions in the United States and other countries. In a 1977 speech, Moon himself commented on allegations that he was a KCIA agent:

My life is not so small that I would act as a KCIA agent. My eyes and goal are just for Korea. America is the goal; the world is my goal and target.<sup>424</sup>

However, an important part of Moon's overall strategy—as expressed in his own words—is to bring his organization into close contact with the Korean Government. There is evidence that in

<sup>422</sup> "Hankook Ilbo," Los Angeles edition, Jan. 23, 1975; see appendix C-306 for a copy of the resolution.

<sup>423</sup> See pp. 313-316 of this section.

<sup>424</sup> Master Speaks, Feb. 23, 1977, p. 11; see appendix C-227.

following this strategy, Moon and his organization frequently submit to the direction and control of, and coordinate their activities with, Government agencies and officials.

The Moon Organization's actions on behalf of the ROK Government are sometimes done at apparent risk to the Moon movement's own goals and image and have to be explained to U members. This was true with respect to the planned demonstration at the Japanese Embassy, for example, which was both begun and halted in response to orders from KCIA headquarters in Seoul. Moon saw risks in mobilizing his organization to support the Korean position on this occasion, but justified it in terms of service to Korea:

I ordered my organization to do certain things. I told the leaders that, because this particular action maybe the Unification Church movement will suffer a setback. But, even though we suffer a setback, we must mobilize our forces to unite behind Korea in the critical moment. We must support the position of Korea.

On other occasions, the Moon Organization has undertaken activities of service to the Korean Government, or as its agent, which were also of clear economic or political benefit to the organization and did not present as much risk of public opposition. An example was the unpublicized effort by Tong Il Industries to negotiate an extension of the M-16 coproduction agreement between Colt Industries and the ROK Government and to obtain Colt's agreement to allow exports of M-16's to third countries.<sup>426</sup> Other examples are the joint Moon Organization-ROK Government support and sponsorship of the Little Angels<sup>427</sup> and many of the Moon Organization's anti-Communist activities. As part of its Victory over Communism program, for example, the Moon Organization established an anti-Communist training center at Sootaek-Ri, near Seoul. Here anti-Communist indoctrination courses were given to Korean Government officials.<sup>428</sup>

The Moon Organization was affected by shifts among various factions within the Korean Government; this paralleled the experience of other individuals and groups engaged in pro-ROK activities. Tongsun Park, for example, was bitterly opposed by the Korean Ambassador to the U.S. and others in the Korean Government, but he and his supporters in the Government prevailed. As noted earlier, it was reported that the KCIA station chief in Washington had opposed the Moon Organization over the U.N. activities, but the KCIA director in Seoul ordered him to cease his opposition and cooperate with Moon. Other reports stated that Moon's allies within the Ministry of National Defense had, by 1976, helped make a Moon Organization industry a leading defense contractor.

However, later in 1976 and in early 1977, when there was much negative publicity surrounding Moon and his possible connection to the Korean lobbying activities, the Government apparently reacted by canceling the passports of the Little Angels and by charging Hwa officers with tax evasion. These actions were later cited

<sup>425</sup> Master Speaks, Sept. 15, 1974, p. 6; see appendix C-220. See also KI-2, p. 91.

<sup>426</sup> See "ROK Defense Production and Military Self-Sufficiency" in Part C-1: "Security and Political Affairs," pp. 76-78.

<sup>427</sup> See pp. 359-361 of this section.

<sup>428</sup> SIO-II, p. 32-33.

ROK and Moon Organization spokesmen as proof that there was no connection between Moon and the Government.<sup>429</sup>

In numerous speeches and internal publications, Moon and his top lieutenants have claimed to have close ties with the Korean government. In a typical passage, Moon said in a 1974 speech:

In this world of chaos, the Korean government is more on our side, begging for our opinion and actions. \* \* \* Korea is strongly on my side, the Korean government in favor of our movement \* \* \*<sup>430</sup>

The following year Moon told a crowd at a rally that President Park Chung Hee was sent by God:

God set up a powerful new leader, the present president of this Korea, and the new order in our society when this country was confused and facing the crisis of Communist invasion from the North in 1961!<sup>431</sup>

### *Early relations with the Korean Government*

Moon's relations with ROK Governments prior to the 1961 coup were not as mutually supportive as his relationship with that of Park Chung Hee; later Moon speeches often referred to the persecution suffered in the pre-1961 period. In 1955, Moon and several followers, including Kim Won Pil, were arrested by the South Korean authorities. The actual charges varied depending on the source. One document gave the charge as a "violation of the military draft law."<sup>432</sup> The Korean National Police said in 1976 that it was for "pseudo-religion and forgery of official documents."<sup>433</sup> A major Korean newspaper, the *Tong A Ilbo*, reported the charge as "violation of the military draft law" and "false imprisonment" (the latter charge stemmed from a complaint by a coed that she had been held against her will for 3 days and compelled to adopt a new religion).<sup>434</sup> All sources agreed that the charge or charges were dismissed.

This arrest, and newspaper reports of unorthodox "cult" practices by Moon and his followers, heavily influenced the average Korean's perception of Moon and his movement in the 1950's and 1960's, to the extent that it was recognized at all. Even in later years, when Moon and the UC were receiving a great deal of media attention, the UC as a mass religious movement was far less successful in Korea than it was in Japan and elsewhere.

On May 15, 1961, 1 day before the military coup which brought the Park Government to power, Moon performed a wedding ceremony for 36 couples. Moon recalled that day in a speech:

Even on the very day of the 36 couple blessing, not only parents but the government too wanted to investigate our church. In order to not discourage the members, I had to go secretly to the police station to testify on the very day that I was to bless the couples.<sup>435</sup>

The subcommittee was unable to obtain details regarding the government's detention of Moon at that time.

<sup>429</sup> See, for example, testimony of Pak Bo Hi, KI-4, p. 168.

<sup>430</sup> Master Speaks, Sept. 22, 1974, p. 6; KI-2, p. 101; see appendix C-221.

<sup>431</sup> Master Speaks, June 7, 1975, p. 6; see appendix C-226.

<sup>432</sup> Testimony of Pak Bo Hi, KI-4, p. 207.

<sup>433</sup> Executive branch investigative report dated May 11, 1976.

<sup>434</sup> "Tong-A Ilbo," July 16, 1955.

<sup>435</sup> Master Speaks, Feb. 23, 1977, p. 14; see appendix C-227.

*Relations with the Park Government*

In the late 1950's, Moon's message was favorably received by four young, English-speaking Korean Army officers, all of whom were later to provide important contacts with the post-1961 Korean Government. One was Pak Bo Hi, who had joined the ROK Army in 1950.<sup>436</sup> Han Sang Keuk (aka Bud Han), a follower of Moon's since the late 1950's, became a personal assistant to Kim Jong Pil, the architect of the 1961 coup and founder of the KCIA. Kim Sang In (Steve Kim) retired from the ROK Army in May 1961, joined the KCIA and became an interpreter for Kim Jong Pil. He continued as a close personal aide to Kim Jong Pil until 1966. At that time Steve Kim returned to his position as KCIA officer, later to become the KCIA's chief of station in Mexico City. He was a close friend of Pak Bo Hi and a supporter of the UC. The fourth, Han Sang Ki was a military attaché at the ROK Embassy in Washington in the late 1960's. Executive branch reports also linked him to the KCIA. On leaving the service of the ROK Government, Han became Moon's personal secretary and tutor to his children.

In the period immediately after the coup, Kim Jong Pil founded the KCIA and supervised the building of a political base for the new regime. A February 1963 unevaluated CIA report stated that Kim Jong Pil had "organized" the UC while he was KCIA director and had been using the UC "as a political tool."<sup>437</sup>

UC spokesmen claimed that the February 1963 report could not be accurate, since, as noted earlier, Moon started the UC's predecessor, HSAUWC, in 1954, before Kim Jong Pil came to power.

The term "organized" as used in the report is inaccurate to the extent that it is equivalent to "founded" or suggests that Kim Jong Pil began the Moon movement. However, as described elsewhere the UC took many forms and names and was constantly undergoing organizational changes. Furthermore, there was a great deal of independent corroboration for the suggestion in this and later intelligence reports that Kim Jong Pil and the Moon Organization carried on a mutually supportive relationship, as well as for the statement that Kim used the UC for political purposes.

As the Park regime consolidated its power, Moon found himself with well-placed contacts in the new government. As just noted two ROK Army officers, Steve Kim (Kim Sang In) and Bud Han (Han Sang Keuk), had been along with Pak Bo Hi, supporters and proselytizers for the UC even before the 1961 coup.<sup>438</sup>

Shortly after the coup, these two army officers, both fluent in English, became aides to Kim Jong Pil and, in their capacity as interpreters, became closely associated with other ROK government officials as well. Bud Han, for example, served as translator during Park Chung Hee's meeting with President Kennedy in November 1961. Steve Kim accompanied Kim Jong Pil on a tour of the United States in 1962, which was arranged by the U.S. Government. Pak Bo Hi was a Korean embassy escort officer during part of Kim's tour.<sup>439</sup>

<sup>436</sup> His later activities as president of the KCFF and as one of the key figures in the Moon Organization are on pp. 323ff and 364 of this section.

<sup>437</sup> KI-4 Supplement, p. 458.

<sup>438</sup> Confidential subcommittee staff interview; testimony of Pak Bo Hi, KI-4, pp. 433-44

<sup>439</sup> Testimony of Pak Bo Hi, KI-4, pp. 687-696; confidential subcommittee staff interview

The Subcommittee obtained a copy of Kim Jong Pil's itinerary for that 1962 trip, which showed that Steve Kim was part of the entourage which toured the United States, meeting numerous U.S. officials. While in San Francisco, Kim Jong Pil stayed at the St. Francis Hotel. There he met secretly with a small group of UC members, who were among Moon's earliest followers in the United States. The subcommittee staff spoke to a person present at the meeting between the UC members and Kim Jong Pil, who recalled that Kim told UC members he would give their movement political support in Korea, though he could not afford to do so openly.<sup>440</sup> A former U.S. official who accompanied Kim during his stay in San Francisco corroborated the story about the private meeting.<sup>441</sup>

In 1963, the UC was registered as an organization with the new Korean Government. A UC history described how a lower Government official tried to prevent the registration, but was later reversed:

When we wanted to register with the government, the Ministry of Education handled registration, and Mr. Moon, the Minister of Education rejected our application. We had to fight it. After one week, it was reversed. \* \* \* At that time if his rejection was not passed, we could not have any religious movement. He was supposed to reverse. Finally we had registration, May 31, 1963.<sup>442</sup>

Also in 1963, Pak Bo Hi obtained tax-exempt status for the UC branch in Virginia, using his position at the Korean Embassy to obtain a letter from Ambassador (later Prime Minister) Chung Il Kwon attesting to the UC's status as the "recognized Christian religion in Korea".<sup>443</sup> Later in 1963 Pak began to work on establishing the KCFF.

*Moon Organization and ROK Government use and control of the KCFF*

Ties to Kim Jong Pil and other ROK officials helped the Moon Organization take control of the KCFF and use it for the mutual benefit of Moon and the Government. From the early 1960's through 1978, KCFF served as an important link between the Moon Organization and the ROK Government.

The earliest U.S. Government reports linking the KCFF with the Moon Organization were in late 1964 and early 1965,<sup>444</sup> when Pak Bo Hi was in Korea after resigning from the ROK Army in order to work full-time for the foundation.

One report in December 1964 identified Pak Bo Hi as "the real leader" of KCFF and correctly predicted that he would soon return to Washington to work for the foundation. The report noted Bud Han and Pak's efforts to establish the KCFF, which was to be "the first step toward organizing Tong-il in Washington."<sup>445</sup> In January 1965, another report stated that Kim Jong Pil had been using the UC "since 1961." It also stated that Steve Kim (Kim Jong Pil's

<sup>440</sup> Confidential subcommittee staff interview.

<sup>441</sup> Confidential subcommittee staff interview.

<sup>442</sup> Master Speaks, Dec. 29, 1971, "History of the Unification Church", p. 6; see appendix C-209.

<sup>443</sup> Testimony of Pak Bo Hi, KI-4, p. 441; see KI-4, appendix 16, p. 705; Virginia application for tax exempt status submitted by Pak Bo Hi.

<sup>444</sup> See generally Part C-II: "Executive Branch Awareness of Questionable Korean Activities," pp. 118-120.

<sup>445</sup> KI-4 Supplement, pp. 459-460.

interpreter) was connected with the UC and that Bud Han had requested help for the UC from a Korean Government official.<sup>446</sup>

Steve Kim (Kim Sang In) was also close to Pak Bo Hi and the KCFF as shown by the fact that he was often mentioned in KCFF correspondence as a person to contact in Seoul to facilitate KCFF business.<sup>447</sup>

Another Kim Jong Pil aide during the early 1960's was Mickey Kim (Kim Un Yong), who was later a counselor at the Korean Embassy in Washington. Several references to Mickey Kim were made in early KCFF correspondence; a March 1964 letter recounted a briefing Pak Bo Hi gave the Korean Ambassador about the plans for the KCFF. Mickey Kim had been appointed Embassy Project Officer for cultural activities "with particular emphasis on the Freedom Center."<sup>448</sup>

The Freedom Center,<sup>449</sup> was a project of Asian People's Anti-Communist League (APACL) and was promoted and subsidized by the Korean Government. The manner in which the Freedom Center came to be adopted as a proposed KCFF project reflected the foundation's shift from a cultural to an ideological emphasis.

When the first brochure describing the KCFF was prepared in December 1963, the stated objectives of the KCFF were to support cultural, educational, and religious activities; the Little Angels was the only project then contemplated.<sup>450</sup>

In January 1964, Kim Jong Pil was named first Honorary Chairman of KCFF (Pak Bo Hi had supplied Admiral Burke with Kim's resumé, since Admiral Burke did not know anything about Kim).<sup>451</sup> By the spring of 1964, Kim had arranged for the Freedom Center to become KCFF's primary project.<sup>452</sup> A revised brochure was prepared. Instead of claiming cultural, artistic, religious, and social welfare activities as the foundation's only activities, it took a strong anti-Communist line:

Its [KCFF's] primary mission is to tell the American people why, in support of firmly established Government policy, we have drawn a line against further communist aggression in Asia and have dedicated American lives and treasure to the unswerving maintenance of this policy.<sup>453</sup>

In explaining the KCFF's support of the Freedom Center, the brochure disclosed that the Korean Government had already provided \$796,231 in subsidies to the project.<sup>454</sup>

In an April 1965 letter, Pak Bo Hi stated that Kim Jong Pil had been the one to urge the KCFF to support the Freedom Center as one of its initial projects.<sup>455</sup> The KCFF could not itself afford to support the Center at that time, but its officers agreed to have it serve as a repository for American donations.<sup>456</sup>

At the same time that Kim Jong Pil was maneuvering the KCFF into adopting one of his (and the Korean Government's) projects, Pak was arranging for KCFF sponsorship of the Little Angels, the

<sup>446</sup> KI-4 Supplement, p. 460.

<sup>447</sup> *Ibid.* pp. 250, 276, 373, 375.

<sup>448</sup> *Ibid.* p. 271.

<sup>449</sup> *Ibid.* pp. 384-385.

<sup>450</sup> *Ibid.*, pp. 224-232.

<sup>451</sup> *Ibid.*, p. 213.

<sup>452</sup> *Ibid.*, p. 305.

<sup>453</sup> *Ibid.*, p. 298.

<sup>454</sup> *Ibid.*, p. 306.

<sup>455</sup> *Ibid.*, p. 380.

<sup>456</sup> *Ibid.*, p. 398.

group Moon had started. It was during this period that Pak told Robert Roland of his plans to use the KCFF and the Little Angels on behalf of both Rev. Moon and the Korean Government.<sup>457</sup>

Between 1965 and 1968, Pak received no salary from the KCFF, although he worked there full-time and virtually ran it. Pak's work for the KCFF was made possible: (1) through the quick action of the Korean Government in granting him a discharge from the army and allowing him to return to the United States to become a KCFF officer ("They say it is unprecedented," Pak wrote at the time);<sup>458</sup> and (2) subsidies from UC members, who paid living expenses for him from 1965 to 1968.<sup>459</sup> Korean officials also helped Pak operate the KCFF by allowing him the use of Government facilities, arranging entertainment for prospective contributors, and providing other types of assistance.<sup>460</sup>

In 1964, both Presidents Eisenhower and Truman authorized the KCFF to list them as honorary presidents. Their names were in turn used to convince other celebrities to lend their support.<sup>461</sup>

By 1965, KCFF had acquired a large and unwieldy Board of Directors, albeit one of well-respected Americans and Koreans. In June 1965 an "executive committee" was established to oversee KCFF operations.<sup>462</sup>

In July 1965, Roland wrote Admiral Arleigh Burke, then president of KCFF, to ask that his name be removed as a director. He told Burke of Pak's activities on behalf of the UC<sup>463</sup> and warned that Pak intended to use the KCFF for "the financial support and propagation of the ideology of The Holy Spirit Association and its leader, Mr. Sun Myung Moon of Seoul, Korea." Roland enclosed excerpts from an early UC publication, *New Age Frontiers*, which indicated that Pak and Jhoon Rhee intended to use the KCFF to serve Moon.<sup>464</sup>

Admiral Burke stated that Roland's letter disturbed him, particularly the allegation that Pak intended to use the KCFF to support the UC. He had never heard of Moon or the UC and had understood Pak to be a Buddhist. Admiral Burke checked with Yang You Chan, who supported Pak and who also said he believed Pak to be a Buddhist. As a result of this and other incidents, Admiral Burke concluded that the KCFF had to be carefully watched. Since he did not have time to do so, in August 1965 he submitted his resignation.

Admiral Burke and Robert Roland were the first of a number of KCFF officers, employees, and directors to resign over allegations of misuse of the KCFF to serve the interests of Moon.

In 1966, the KCFF launched a new project called "Radio of Free Asia" (ROFA), which was to broadcast anti-Communist themes to North Korea, China, and other Communist countries. This project, like the Freedom Center, was subsidized and to a large degree controlled by the Korean Government, including the KCIA. As

<sup>457</sup> See p. 324 of this section.

<sup>458</sup> KI-4 Supplement, p. 345.

<sup>459</sup> Testimony of Pak Bo Hi, KI-4, pp. 270-271.

<sup>460</sup> KI-4, Supplement, pp. 345-360.

<sup>461</sup> *Ibid.*, pp. 258, 286.

<sup>462</sup> The executive committee functioned as the governing body of the KCFF, since it was usually impossible to assemble a quorum of the Board of Directors.

<sup>463</sup> KI-4 Supplement, p. 405.

<sup>464</sup> *Ibid.*, pp. 405-406.

with other KCFF projects, the influence of both Kim Jong Pil and Rev. Moon was present in its establishment and operations.

Lawrence Mays was appointed international chairman of ROFA on July 14, 1966.<sup>465</sup> In August, Mays, Pak Bo Hi, and Yang You Chan traveled to Korea to inaugurate ROFA. While in Korea, Mays learned that U.S. Embassy officials there were hostile to the radio project, in part because of the background of some of the participants.

Mays said that on his last day in Korea, Pak Bo Hi took him to a secret meeting at which Moon and a member of the Korean National Assembly were present. Moon congratulated Mays on the radio project and presented him with a pair of silver chopsticks. In an interview with subcommittee staff, Mays picked Kim Jong Pil's picture from a series of photographs as the National Assemblyman who was present at the meeting.<sup>466</sup>

The first two operations directors named by the KCFF to head the ROFA office in Seoul were former subordinates of Kim Jong Pil. The first, Kim Kyong Eup, had been his close aide and interpreter in the period immediately following the 1961 coup. KCFF minutes reflected that he was recommended by the Korean Minister of Culture and Information.<sup>467</sup> He was replaced in September 1966 by Kim Dong Sung, who had served in the KCIA under Kim Jong Pil.<sup>468</sup>

Executive branch agencies began to report on the KCIA's interest in ROFA even before the commencement of broadcasting on August 15, 1966. On August 10, 1966, an intelligence report stated that the KCIA had been given the task of working out a proposal concerning ROFA.<sup>469</sup> In March 1967, another report said of ROFA:

\* \* \* ROK CIA pushed it strongly, behind the scenes. The Seventh (Psywar) Bureau of ROK CIA monitors the programs and activities of ROFA.<sup>470</sup>

The same report stated that ROFA received free use of Korean Government facilities for its broadcasts and that ROFA was proceeding with the full knowledge and support of the ROK Government.

The executive branch reports stating that the Korean Government subsidized and supported ROFA were also corroborated by evidence gathered in the course of the investigation. In an April 1969 conversation with an American Embassy official, ROFA's Operations Director, Kim Chong Hoon, was reported to have said that KBS broadcast facilities were provided to ROFA at no cost.<sup>471</sup> In a sworn statement given to subcommittee staff, Kim said he had no reason to doubt the truth of the statement. However, he said he was under the impression that at some point after that ROFA did pay for the facilities.<sup>472</sup>

<sup>465</sup> KI-4 Supplement, p. 636.

<sup>466</sup> Sworn statement of Larry Mays, KI-4, pp. 626-627, 634-635.

<sup>467</sup> Minutes of the Korean Cultural and Freedom Foundation, July 14, 1966; confidential staff interviews.

<sup>468</sup> KI-4 Supplement, pp. 479, 642.

<sup>469</sup> *Ibid.*, p. 461; see also, Part C-II: "Executive Branch Awareness of Questionable Korean Activities," p. 119.

<sup>470</sup> KI-4 Supplement, p. 462.

<sup>471</sup> *Ibid.*, p. 517; sworn statement of Kim Chong Hoon.

<sup>472</sup> Sworn statement of Kim Chong Hoon.

KCFF audit records supported the statements in executive branch reports that ROFA broadcasting was done under the supervision of the KCIA.<sup>473</sup>

### *Moon Organization and ROK Government Use of Little Angels*

While the ROFA project went forward under KCIA supervision, the Little Angels dance troupe was also receiving subsidies and other forms of support from the Korean Government.<sup>474</sup> At the same time, the Moon Organization was beginning to use the Little Angels more openly for its own purposes.

When Moon came to the United States in December 1971, Pak Bo Hi traveled openly with him, often acting as his interpreter at public rallies. His ties with Moon, hitherto obscure, became far more evident. Pak's increasing identification with Moon led Kim Chong Hoon, for 5 years the director of KCFF's office in Seoul and head of the ROFA operation there, to resign in 1972. At the time, he cited the pressure of other business. However, in a sworn statement to subcommittee staff, Kim said that an additional factor in his resignation was his perception that Pak was "mixing the church movement with the KCFF activities without being able to distinguish and draw the lines." He elaborated:

For instance, he cannot be interpreter to Reverend Moon while he is held as the President of KCFF. I would think it is contrary to the nature of public office that he was holding as President of KCFF. If KCFF was funded by Reverend Moon, then it is a different story but the source of funds is not Reverend Moon and it comes from U.S. public to support Radio Free Asia. Therefore, when he is engaged publicly in preaching the Unification Movement, then it is—I think in a way it was unethical, it was not right.<sup>475</sup>

It is also noteworthy that several years earlier Kim had gotten Pak to agree to an ad in Korean newspapers disclaiming any connection between the Little Angels and the UC. He explained his position:

As Vice President of Operations I did not want to get mixed up with the religious movement and I personally deplored whatever I read in the newspaper about the Unification Church \* \* \*. I asked him to authorize us to advertise that the Little Angels have nothing to do with the Unification Church and he authorized it and we ran an ad in Korea in the paper.<sup>476</sup>

As discussed earlier,<sup>477</sup> the Little Angels were originally viewed by Pak Bo Hi as an instrument for spreading Moon's doctrines. The UC in its early years could not afford to sponsor the group, so financial and organizational support was provided by the KCFF, with the assistance of the Korean Government. However, Moon and Pak always regarded the group as their own, to be exploited by the Moon Organization and used in its worldwide strategy for gaining control and influence over social and political institutions. In January 1973, while outlining a master strategy geared toward political goals, Moon explained to his followers how his organiza-

<sup>473</sup> KI-4 Supplement, p. 704.

<sup>474</sup> For example, Park Chong Kyu, head of the Presidential Protective Force, allowed the Little Angels to use a Government building rent free; the Korean Government cosponsored a number of the Little Angel tours.

<sup>475</sup> Sworn statement of Kim Chong Hoon.

<sup>476</sup> *Ibid.*

<sup>477</sup> See p. 324 of this section.

tion had used the Little Angels to gain political influence in Japan and elsewhere:

So, through our Little Angels dancing troupe's successful performance in Japan we have laid the foundation to win the embassy personnel stationed in Japan to our side—and through them we can influence their respective nations.<sup>478</sup>

#### Moon had ambitious plans for the Little Angels:

Sometime in the future Master will have Mr. Kuboki take the Little Angels, as an international group, on tour of those nations. At first, people will be skeptical about his purpose, but he is a good speaker and will make a five-to-twenty minute talk at the beginning of the performance, explaining that he's doing it for the sake of international good will \* \* \* I have done this with the Little Angels, at the expense of millions of dollars.

With their record set up in other countries, the Little Angels can be invited to the premier's mansion, or the palaces of kings and queens, and will be known to the people of those nations \* \* \* If we pick up 20 or more senators from those nations, we can organize a strong group. Out of ten nations we can gather some 200 high-level people. Mr. Kuboki will be able to invite those top-level people to Japan, and the political groups of Japan will be surprised at what he is doing.<sup>479</sup>

The Little Angels were thus seen by Moon as an instrument by which his organization could gain access to political figures and opinion leaders. In the United States and elsewhere, the Little Angels did attract the attention and endorsement of numerous political leaders and other prominent persons. Little Angels concerts often provided the occasion for Moon and his top followers to mingle with politicians and have pictures taken; these pictures and endorsements were later used in Moon Organization literature to enhance Moon's image as a well-respected figure with powerful friends.

The grandiose scheme Moon outlined in January 1973 and his plan to use the Little Angels as part of that scheme were unknown to many of the officers, directors, and advisers of KCFF, not to mention the thousands of persons who contributed to it. However, some KCFF insiders expressed concern over the possible link between Moon and the Little Angels. Pak told them, however, that Moon was a friend and supporter of the Little Angels and denied any link beyond that. On the basis of this reassurance, KCFF's chairman Charles Fairchild wrote to Daniel Ben Av, the Los Angeles impresario who was managing the Little Angels tour, to state that the KCFF and Little Angels were not connected to Moon or the UC. Ben Av had been worried that a link with Moon would damage the otherwise excellent reputation of the Little Angels.<sup>480</sup>

Aware of the risk that Moon's links with the Little Angels would become a public issue, UC leaders cautioned members in the United States against emphasizing those links. The Director's Newsletter for October 17, 1973 contained the following passages under the heading: "Important Notice Re: Little Angels":

In order to use the Little Angels in the best and wisest way for Our Master, it is best not to promote the Little Angels beyond what is said at the banquet by Col. Pak.

If people ask about Little Angels simply say that Rev. Moon was the founding inspiration behind the formation of the Little Angels and has attentively supported their growth since their beginning in 1962. If we use the Little Angels to promote

<sup>478</sup> Master Speaks, Jan. 30, 1973, p. 6. See appendix C-211.

<sup>479</sup> Ibid., p. 6.

<sup>480</sup> Confidential subcommittee staff interviews.

Our Master and the Church too extensively, Satan will attack by saying that Reverend Moon is exploiting these children for his own glory \* \* \* <sup>481</sup>

The concerns of those who thought the Little Angels would be hurt by links to Moon proved justified when, in late 1976, the Korean Government abruptly canceled the passports of the group. This was done in apparent reaction to the growing controversy centering around Moon's movement and his ties to the Government. <sup>482</sup>

#### *Moon Organization control of the KCFF governing board*

By July 1973, both the KCFF and the UC in America had acquired substantial assets and had developed well-organized fundraising systems. At a KCFF board of directors meeting on July 6, 1973, Pak Bo Hi proposed "to erect a compact size board of directors" which would meet to run the foundation in place of the impractical board of 60 members comprised largely of celebrities who seldom or never attended a meeting. In effect, Pak's proposal made the executive committee into the governing body of the foundation. Pak submitted the following names, all of whom were elected to the new, compact board:

Charles M. Fairchild, chairman of the board; Bo Hi Pak, vice chairman and president; Jhoon G. Rhee, member; Neil A. Salonen, member; Marin Zuesse, member; David Martin, member; Edwin Ang, member; Henry Hurt, member; Therese Klein, member. <sup>483</sup>

Of these persons, Pak, Rhee, and Fairchild had been on the board for a number of years. Salonen was president of the UC of America; Ang was also a UC member and was a director and officer of UC of America; Therese Klein had just been appointed to a regional position in the UC; and Marin Zuesse and Henry Hurt served as financial and business consultants to the UC. <sup>484</sup>

Pak's handling of KCFF's finances and the increasingly open ties between the KCFF and the Moon Organization led to a split within the foundation in the fall of 1976. It began when KCFF Treasurer Gisela Rodriguez discovered that a bank account containing charitable contributions for the Children's Relief Fund, a recent KCFF project, had been frozen to create collateral for loans taken by Pak on his own to finance construction of a Little Angels performing arts center in Seoul. <sup>485</sup> Rodriguez notified Donald Miller and Arthur Ulin, public relations consultants to the KCFF, who in turn contacted Fairchild. Fairchild conducted an internal audit of the books and minutes of the foundation and discovered unauthorized loans taken out by Pak in 1975 and 1976.

Fairchild demanded the resignation of Pak and Judith LeJeune, Pak's secretary, who had assisted him in his management of KCFF's finances. At board meetings in November 1976, Pak admitted to the unauthorized loans, to doctoring the KCFF minute books so as to reflect board approval, and to using the KCFF "scholarship and grant program" to help friends evade Korean currency restrictions and get money into the United States. Fair-

<sup>481</sup> Little Angels statement in Pak Bo Hi testimony, KI-4, p. 424.

<sup>482</sup> Subcommittee staff interview.

<sup>483</sup> Minutes of the Korean Cultural and Freedom Foundation, July 6, 1973, p. 3.

<sup>484</sup> Directors' Newsletter, April 13, 1973, advised Unification Church leaders that questions about real estate acquisitions should be referred to Zeusse; see appendix C-230.

<sup>485</sup> See pp. 374-376 of this section.

child raised questions about the legitimacy of the loans and whether the KCFF, or the individual members of the board, would be liable to Moon or the UC in the event the loans could not be repaid.<sup>486</sup>

Pak was supported by the UC faction on the board, which urged ratification of the loans, and brought forward its own lawyer, Robert Standard. (As noted earlier, Standard, also a UC member, had more recently worked under Mitsuharu Ishii for One Way Productions in Los Angeles.)

In the midst of the controversy, Henry Hurt, a board member, wrote to Pak urging him to remain with the KCFF; the letter clearly revealed Hurt's conception of KCFF as a subservient arm of the Moon Organization.<sup>487</sup>

NOVEMBER 18, 1976.

DEAR COLONEL PAK: All of the Directors feel that KCFF has drawn within arm's length of HSA-UWC, because The Leader is the spiritual and financial strength, and you and Judy are the other essential supports.

While not a prophet or a psychic, I expect fiduciary responsibilities relating to accounting and efficiency of operations and results to be adequately discharged within a year or two, and then, KCFF to become as strong a Cultural and Relief arm of HSA-UWC as FLF will be the Educational Arm. Imagine, Church Members performing every function all around the World! All things will have worked for GOOD!

A few months ago, Bob Standard was given the task of setting up a World Relief, nonprofit corporation for the Church. With the new, very close, relationship of KCFF, you may want to talk with him. In my opinion, he would be a very fine Board Member, or, perhaps, Officer.

Respectfully yours,

HENRY H. HURT.

With its clear numerical superiority, the Moon faction easily defeated Fairchild's objections, and by early 1977 all five remaining non-Moon officers and directors had either resigned or been forced out. KCFF had been created to serve Reverend Moon, and now Moon's followers had eliminated from KCFF the last vestiges of objection to that subservience.

By this time, however, KCFF's projects had effectively come to a halt. ROFA was formally discontinued in 1975. Children's Relief Fund was the target of a New York State audit, which found that 2.1 percent of the \$1.2 million raised in 1975 was actually spent for the designated purposes,<sup>488</sup> a violation of New York's standards governing fundraising by charitable institutions. As a result of this audit, KCFF lost its tax-exempt status in New York and was barred from soliciting funds there. The Little Angels, as noted, could not travel outside Korea after 1976.

Despite the curtailment of these activities, Pak maintained his office at KCFF headquarters in Washington and continued in 1978 to administer what was left of KCFF's funds.<sup>489</sup>

#### *KCFF ties with ROK Government officials*

Beginning with Kim Jong Pil, Korean agencies and officials used, or attempted to use, the KCFF and its projects in various ways. Kim Jong Pil's request that the KCFF adopt the APACL-Freedom Center as a project was already noted earlier, as was the KCIA's

<sup>486</sup> Subcommittee staff interviews.

<sup>487</sup> Letter from Henry Hurt, KI-4, p. 418.

<sup>488</sup> New York State audit report; see appendix C-294.

<sup>489</sup> Subcommittee staff interviews.

supervision and control over ROFA broadcasting. KCIA director Kim Hyung Wook and the Minister of Culture and Information helped Pak Bo Hi establish ROFA by arranging for ROFA to use government facilities. Kim Hyung Wook viewed ROFA as a means of carrying on work which would otherwise have to be done at the expense to the Government, at a time when " \* \* \* the Korean Government was short of money to do this kind of work. \* \* \* " <sup>490</sup>

The KCFF, in turn, had received favors and support from ROK Government agencies and officials. Already discussed were the free use of ROK broadcasting facilities for ROFA (which did not involve an actual outlay of Government funds, but still saved the KCFF money), and ROK Government support for the Little Angels.

The three Kim Jong Pil aides who were active in the early days of the KCFF—Bud Han, Steve Kim, and Mickey Kim—all went on to assume more prominent roles in the Government. Steve Kim joined the KCIA, where he served for a time as liaison to the U.S. CIA. <sup>491</sup> While KCIA station chief in Mexico City, he made frequent trips to Washington, and there was reason to believe that Steve Kim was Tongsun Park's "control officer" in the KCIA. <sup>492</sup> Pak Bo Hi acknowledged having a close friendship with Steve Kim and said that Kim was an early supporter of the UC. <sup>493</sup> Kim frequently assisted the KCFF. <sup>494</sup> Bud Han was later to become ROK Ambassador to Norway. <sup>495</sup>

Mickey Kim served as an aide to Park Chong Kyu, head of the Presidential Protective Force, and also became head of the World Tae Kwando (Karate) Association. KCFF records revealed a number of payments to Mickey Kim and his karate association. KCFF accounting records referred to his being helpful to the KCFF in unspecified ways. <sup>496</sup> Kim Chong Hoon, ROFA's operations director from 1967 to 1972, said Mickey Kim had "helped a lot." <sup>497</sup>

Kim Jong Pil and his aides were not the only ROK officials to assist the KCFF or to receive favors from it. Yang You Chan, one of KCFF's founders, was a Korean Government official during most of the time he was associated with the foundation. Yang was appointed special adviser to the Korean delegation to the U.N. in 1964, and in subsequent years he served in various special positions for the ROK Government. During all this time, Yang was serving as an adviser and executive vice president of the KCFF and later became chairman of the board. Yang on one occasion instructed a KCFF officer to draft a speech for President Park of Korea, <sup>498</sup> on another, he arranged for \$2,200 apparently for travel expenses, to be paid out of KCFF funds for three Korean officials who were on a trip for the Government. <sup>499</sup> In 1967, KCFF minutes noted that

<sup>490</sup> Testimony of Kim Hyung Wook, KI-1, p. 63.

<sup>491</sup> See "Part C-II: Intelligence Activities and Plans," p. 100.

<sup>492</sup> "Korean Influence Investigation," Part 2, hearings before the Committee on Standards of Official Conduct, U.S. House of Representatives, 95th Cong., 2d sess., Apr. 3, 4, 5, 10, 11, 1978, pp. 72-73.

<sup>493</sup> Testimony of Pak Bo Hi, KI-4, pp. 433-434.

<sup>494</sup> Sworn statement of Kim Chong Hoon.

<sup>495</sup> Korea Annual, 1975.

<sup>496</sup> KI-4 Supplement, p. 672; KI-4, pp. 491-492.

<sup>497</sup> Sworn statement of Kim Chong Hoon.

<sup>498</sup> KI-4 Supplement, p. 340.

<sup>499</sup> Exhibits for the record found in testimony of Pak Bo Hi, KI-4, pp. 483, 490-491; KI-4 Supplement, p. 663.

Yang was in Korea for the ROK Government upon the invitation of President Park but would also be doing business for KCFF.<sup>500</sup>

In January 1970, Yang resigned as KCFF's chairman, shortly after his letters of December, 1969, to ROFA contributors had been received by Congressmen, Senators, and other prominent Americans. Senator Fulbright, who received one, later charged that it was part of an ROK lobbying attempt.<sup>501</sup> Yang's letter of resignation noted that he was then involved in "many special governmental missions, such as lobbying for the \$50 million special military assistance to Korea by the U.S. Congress."<sup>502</sup>

Despite his resignation, Yang continued his association with the KCFF, and KCFF records showed expenses paid to him in later years.<sup>503</sup>

Pak Bo Hi's own role in the KCFF showed considerable overlap with his official duties as a Korean military officer. In a November 1964 letter from Seoul, he explained how he obtained a discharge from the Korean Army in October and the same day assumed the duties of KCFF's vice president.<sup>504</sup>

In that and other letters from Seoul in November and December of 1964, Pak also described his contacts with high-ranking Korean officials such as Chung Il Kwon, Park Chong Kyu, and the Minister of Public Information. He was able to arrange for free use of Korean facilities to make a film of the Little Angels and enlist the aid of Korean officials in entertaining wealthy American visitors who were prospective contributors to the KCFF.<sup>505</sup>

In January 1965, Pak returned to the United States on a diplomatic passport. On his visa application, he listed the date of his retirement from Korean Government service as January 15, 1965, not October 1964. Pak submitted with his application a letter from a Korean Embassy official explaining that Pak had been given an "additional assignment" following his discharge from the army.<sup>506</sup>

Government subsidies and other forms of aid to the Little Angels continued throughout the 1960's and early 1970's. The Korean Government on occasion cosponsored tours of the Little Angels and made its facilities available for their use in Korea.<sup>507</sup> On special instructions from the KCIA director, the issuance of passports for the Little Angels traveling entourage was expedited.<sup>508</sup> Choice land in Seoul was made available for the construction of the performing arts center.<sup>509</sup>

In the fall of 1970, at a time when U.S. executive branch reports were describing intensified ROK lobbying efforts and meetings in the Blue House to coordinate those efforts, the KCFF undertook activities which were closely coordinated with Blue House aides.<sup>510</sup> Beginning in September, "thank you" letters from Park Chung Hee

<sup>500</sup> KI-4 supplement, p. 650.

<sup>501</sup> See "Part C-III: Executive Branch Awareness of Questionable Korean Activities," p. 126.

<sup>502</sup> Minutes of Korean Cultural and Freedom Foundation, appendix C-289.

<sup>503</sup> See, for example, Korean Cultural and Freedom Foundation financial records, KI-4 Supplement, p. 701.

<sup>504</sup> KI-4 Supplement, p. 345.

<sup>505</sup> *Ibid.*, pp. 346-357.

<sup>506</sup> File on Pak Bo Hi, Immigration and Naturalization Service, published in KI-4, pp. 266, 644-652.

<sup>507</sup> Minutes of the Korean Cultural and Freedom Foundation; internal auditors' workpapers of KCFF (see KI-4 Supplement, p. 673); KI-4, p. 426; statement of Kim Chong Hoon.

<sup>508</sup> Testimony of Kim Hyung Wook, KI-1, pp. 27-28.

<sup>509</sup> Sworn statement of Kim Chong Hoon.

<sup>510</sup> See "Part C-II: Executive Branch Awareness of Questionable Korean Activities," p. 124.

were mailed to KCFF supporters and contributors and to numerous Members of Congress and their staffs.<sup>511</sup> This mailing had been arranged by Pak Bo Hi in coordination with Park Chong Kyu, head of the Presidential Protective Force and a participant at the Blue House meetings. The mailing was seen as a device to enhance President Park's and the KCFF's prestige and to help raise funds.<sup>512</sup> Despite Pak's assertion that the letter was merely a "courtesy," unrelated to fundraising, KCFF's auditors classified it as a "direct mail appeal" expense.<sup>513</sup> Some contributions to ROFA were even received at the Blue House in the months following the letter from Park. Blue House officials were described as pleased by the response.<sup>514</sup>

When the letter from President Park was stopped following complaints from U.S. officials,<sup>515</sup> Pak obtained a letter from Senator Thurmond which said that Department of State officials had assured him (Thurmond) that "courtesy contacts" from heads of foreign states were not improper. Pak later used this letter in answering inquiries about his role in mailing.<sup>516</sup>

Pak later told the FBI that the letters from President Park had been sent out as a result of a decision by the KCFF executive committee. However, the subcommittee's investigation revealed that this action was taken at Pak's initiative and had not been brought before the KCFF board of directors or executive committee.<sup>517</sup>

The KCFF also included on its list of activities for the fall of 1970 a "book project." It was to involve the preparation of a Korean history, with a laudatory section of the career of Park Chung Hee.<sup>518</sup> Park himself worked with Mickey Kim and another Blue House aide, Han Ki Uk, on this project.<sup>519</sup> In early 1971, Pak and Donald Miller traveled to Seoul, carrying a draft of the book. They were both received by President Park.<sup>520</sup>

Executive branch agencies noted the arrival of Pak and Miller in connection with this book. One report stated that in February 1971, Pak Bo Hi and Donald Miller arrived in Seoul "to present the draft of President Park's biography for approval."<sup>521</sup> The report also quoted Pak as having said he was aware of criticism of the KCFF and that he "intended to avoid ROKG attempts to use the foundation in the future." Pak found this difficult because he "had to rely upon the ROKG for support as in recruiting the Little Angels and the Government officials at times were rather demanding."<sup>522</sup>

In addition to the "book project," there was a "coin project." Pak and Yang had received permission from Government officials, in-

<sup>511</sup> KI-4, p. 185.

<sup>512</sup> Sworn statement of Kim Chong Hoon; subcommittee staff interviews.

<sup>513</sup> KI-4 Supplement, p. 701.

<sup>514</sup> KI-4 Supplement, p. 703.

<sup>515</sup> Testimony of Donald Ranard and William Porter, KI-4, pp. 65, 95-100.

<sup>516</sup> KI-4 Supplement, pp. 187-188.

<sup>517</sup> KI-4, Supplement pp. 600-601. Staff interviews with Charles Fairchild and Donald Miller.

<sup>518</sup> Sworn statement of Kim Chong Hoon, subcommittee staff interview.

<sup>519</sup> See "Educational, Informational, and Cultural Activities," p. 307, for a discussion of Han Ki.

Uk's offer of money to a VOA official.

<sup>520</sup> Subcommittee staff interview.

<sup>521</sup> KI-4 Supplement, p. 468.

<sup>522</sup> *Ibid.*, p. 470.

cluding the KCIA chief, to mint and sell commemorative coins, which were considered legal tender in Korea.<sup>523</sup>

Thus various projects and proposed projects of the KCFF were aided and subsidized in various ways by the Korean Government, which used these projects for its own purposes. At the same time, the KCFF was serving the purposes of the Moon Organization and was also being aided and subsidized by Moon, when necessary.

In the course of this mutually beneficial relationship, both the Government and its officials were also able to benefit personally from their involvement with the KCFF. Chung Il Kwon circumvented Korean currency laws through the KCFF, with the cooperation of Pak;<sup>524</sup> the Korean Government was able to obtain outside help for anti-Communist propaganda through ROFA and the Freedom Center; and KCFF facilities and personnel were used to enhance the prestige of Park Chung Hee and his Government.

Access to key Government figures was in turn used to bolster the image of the Moon Organization among its own members. In January 1975, Chung Il Kwon, then Speaker of the National Assembly, addressed a banquet in Seoul in honor of Moon. The following month (February 1975), when Moon performed a mass marriage in Seoul, a number of UC officials who were in Korea for the festivities—including Neil Salonen and Dan Fefferman—were received by Prime Minister Kim Jong Pil. He discussed with them “the need for ideological education to enlighten people about the dangers of Communism” and noted that he was “aware of the work the Unification Church is doing in the United States and all over the world.” The contacts with Chung Il Kwon and Kim Jong Pil were duly recorded in a Moon Organization publication.<sup>525</sup>

#### *Moon Organization and the South Korean defense industry*

The expansion of Moon Organization businesses in Korea must be viewed in the context of the general development of Korea's economy and in particular its defense industry.<sup>526</sup> The subcommittee learned that the Moon Organization could not have prospered as it did in Korea without close cooperation and assistance from the Korean Government. U.S. executive branch agencies reported that Moon industries received assistance from the Korean Government, which favored Moon's businesses for several reasons.

One was their ability to get financing from the UC. In light of that, it was ironic that in 1977, when the Korean Government accused a number of Il Hwa executives with tax evasion, the charges stemmed from Il Hwa's alleged understating of assets and use of the company to fund UC activities.<sup>527</sup> As has been shown, in the Moon Organization assets are freely transferred between businesses and nonprofit enterprises. The ROK Government's cancellation of Little Angels tours and its prosecution of Il Hwa's officials were indirect demonstrations of its power to make or break Moon Organization enterprises. Significantly, both actions occurred after

<sup>523</sup> Sworn statement of Kim Chong Hoon.

<sup>524</sup> KCFF financial records, KI-4 Supplement, p. 675, KI-4, pp. 444-445; see appendix C-301; subcommittee staff interview.

<sup>525</sup> Way of the World, February 1975, p. 136; see appendix C-241.

<sup>526</sup> See “Part C-IV: United States-Korean Economic Relations.”

<sup>527</sup> Department of State cables re Il Hwa Pharmaceutical Co.

Moon's link to the Korean Government had become a public issue in the U.S. Congress and elsewhere.

In the area of defense contracting, Moon's relationship with the Korean Government remained close, although its exact nature was shrouded in secrecy. The State Department reports<sup>528</sup> showed that Tong Il Industries was designated as a defense contractor by the ROK Government and as of mid-1976 was involved in the manufacture of the Vulcan gun (an anti-aircraft weapon); air guns, which were used by Korean school children for military training; and the M-79 grenade launcher, designed to be used in conjunction with the M-16 rifle, the basic infantry weapon of the Korean Army.

There were a number of press reports linking Tong Il to the production of the M-16. These reports were repeated by persons interviewed in the course of the investigation, most of whom, however, had no direct knowledge. As described elsewhere,<sup>529</sup> the coproduction agreement under which South Korea received the right to produce M-16's designated the Government alone as the sole producer of all components of the weapon.

The subcommittee attempted to obtain definitive information from appropriate intelligence and other executive branch agencies about Tong Il's role, if any, in M-16 production. The results were highly unsatisfactory and revealed that, despite this and prior congressional requests for information on the same subject, no U.S. Government agency appeared to know whether Tong Il was in any way connected with the production, sale, or distribution of M-16's.

As noted earlier, in a Newsweek interview, Moon was asked whether his industries in Korea produced armaments for the Government. Moon admitted that they did, but declined to say which weapons on grounds that the information was classified by the Korean Government.<sup>530</sup> Withholding details enabled Moon Organization spokesmen to encourage the belief that Tong Il produced only air rifles and not heavy weaponry. Interviews of ex-UC members and others close to the Moon Organization showed that even Moon's lower-ranking followers were misled in this manner.

Moon's spokesmen specifically denied any role by Moon-related organizations in M-16 production. Pak Bo Hi released a statement in which he said that Tong Il had nothing to do with production of the M-16. Under questioning, Pak said he did not know what military equipment was produced by Tong Il and that Tong Il's President, Moon Sung Kyun (Moon's second cousin), had assured him that there was no involvement with the rifle.<sup>531</sup>

In December 1977, Moon Sung Kyun and another Tong Il official named J. D. Cho met with officials of Colt Industries in Hartford, Conn., to request their consent to export M-16's manufactured in Korea. The circumstances of Moon's arrival in Hartford lent credence to reports of close ties between Moon's businesses and the Korean Ministry of National Defense.<sup>532</sup> It was Tong Il which responded to Colt's telex messages, which had been sent to a high-

<sup>528</sup> See pp. 326-328, this section.

<sup>529</sup> See "ROK Defense Production and Military Self-Sufficiency" in "Part C-I: Security and Political Affairs," pp. 76-78, 81, and 83.

<sup>530</sup> Newsweek, June 14, 1976, p. 39.

<sup>531</sup> Testimony of Pak Bo Hi, KI-4, pp. 475-477.

<sup>532</sup> Colt Industries documents, see appendix C-34-39, 41-45.

level official in the Korean Ministry of National Defense. On September 13, 1977, Moon Sung Kyun wrote to Colt Industries:

On this occasion, we are attempting to product [sic] barrel of M-16 rifle and to export to countries of South-East Asia of friendly [sic] nations.<sup>533</sup>

On November 22, 1977, Tong Il cabled Colt, "We need some more days to send our representative to you, in order to pre-coordinate it with our government."<sup>534</sup> On November 28, 1977, another Tong Il cable to Colt said: "Our President will visit your company from 12th to 16th December, 1977 to discuss M-16 contract extention [sic]."<sup>535</sup>

During the meeting with Colt officials in December, Moon said that the Korean Government was aware of the meeting, but would deny that Tong Il was acting on its behalf, if asked.<sup>536</sup>

The subcommittee staff also interviewed a U.S. businessman who, in 1976, was given a tour of Tong Il's plant near Pusan and was shown machinery used to make "castings" for the M-16's. ROK officials told the businessman that Tong Il would also be making parts for the M-60 machinegun.<sup>537</sup> A former aide to Tong-sun Park, Kim Jin Suk, also told subcommittee staff that Tong Il was involved in machinegun production. Kim said that Tong Il had been subsidized by the Korean Government when the Korean defense industry began its build-up in the late 1960's and early 1970's. His information was based on conversations with high-ranking Korean Defense Ministry officials. Documents in possession of the subcommittee indicated that Kim had been privy to confidential details about Korean defense production.<sup>538</sup>

There was strong evidence that—through Tong Il Industries—the Moon Organization was involved in the production of M-16's and other weapons. However, at the end of the investigation there were unanswered questions about how Tong Il had become involved in M-16 production. The U.S. Government-approved coproduction agreement was concluded between Colt and the ROK Government, which was to be the sole producer of M-16's. A Colt official who supervised the construction of the ROK Government's production facilities for M-16's said that the Government-owned plant was capable of manufacturing all parts of the gun, thereby requiring no subcontractors.

With respect to exports of M-16's, Tong Il's attempt to get Colt's permission was apparently done with ROK Government knowledge and approval, although it was equally apparent that neither the ROK Government nor the Moon Organization wanted to admit Tong Il's involvement or the ROK Government's interest in exporting the guns. U.S. policy has consistently opposed such exports.

As noted elsewhere,<sup>539</sup> the subcommittee received information that M-16's and other weapons had been exported or that exports had been attempted in possible violation of the Arms Export Control Act. Because of this information and because of the strange

<sup>533</sup> See appendix C-34.

<sup>534</sup> See appendix C-42.

<sup>535</sup> See appendix C-43.

<sup>536</sup> Subcommittee staff interviews.

<sup>537</sup> Subcommittee staff interview.

<sup>538</sup> Subcommittee staff interview; Interarms documents, see appendix C-46.

<sup>539</sup> See "ROK Defense Production and Military Self-Sufficiency" in "Part C-IV: Economic Relations," pp. 76-78, 81, and 83.

circumstances surrounding Tong Il's communications with Colt, the subcommittee has referred its findings to appropriate congressional committees and executive branch agencies, with the request that they press for further details concerning Tong Il's role in armaments production.<sup>540</sup>

### *Other ties to the ROK Government*

In the 1976 KCIA Plan for Operations in the U.S.,<sup>541</sup> the FLF was mentioned in two places as an organization to be used to achieve CIA objectives. In one section of the plan, it was to be used to counter activities of pro-North Korean organizations and individuals in the United States:

3. Absolute prevention of a 2nd chosorenization<sup>542</sup> of the Korean Residents in America;

—Increasingly implant operatives in the underground organization of pro-North Anti-government Korean residents;

—Detect plans, search out the organization, block and destroy their operations;

—Disintegration of Pro-Northern Puppet organization within the U.S.;

—Utilize anti-communist groups—FLF, AIM, etc.<sup>543</sup>

The FLF is also mentioned in another section of the plan which dealt with operations in media circles:

A. Grasp the lineage and movements of Anti-War journalists (Indicate connections with the Northern Puppets)

—Manipulate AIM and FLF.

—Co-ordinate with the USCIA and FBI.

—Utilize Pro-ROK U.S. journalists and correspondents.

The subcommittee investigation showed that the 1976 plan had been preceded by other plans for previous years and that many entries in it referred to operations already completed or reflected ongoing relationships with organizations and individuals.<sup>544</sup> It also showed that Kim Yung Hwan, KCIA station chief from 1974 to 1976, was a key promoter of the 1976 plan. Testimony and UC documents showed that there was substantial contact between Kim Yung Hwan and FLF members. One such contact involved a congressional staff trip to Korea to take place in late 1975, at a time when the 1976 plan was being formulated. This trip was mentioned in a section devoted to operations in Congress.<sup>545</sup>

Anti-Communist activities, whether carried on under the auspices of the FLF, KCFF, or other groups, repeatedly brought Moon organization and Korean Government representatives together. Moon's speeches made it clear that, as with other political and PR actions, anti-Communist activities were to help make his organization indispensable to the Korean Government and influential in other countries as well.

One anti-Communist activity ordered by Moon was a 7-day fast at the U.N., in October 1974, the expressed purpose of which was to defeat a U.N. resolution calling for removal of U.N. troops from

<sup>540</sup> See "Conclusions and Recommendations, in 'ROK Defense Production and Military Self-Efficiency'" in "Part C-1: Security Political Affairs," pp. 86-87.

<sup>541</sup> See 1976 KCIA Plan for Operations in the United States and KI-3, appendix 1b, pp. 114-138. 4-138.

<sup>542</sup> "Chosoren" is the name of a large, well-organized and powerful pro-DPRK Korean residents' association in Japan.

<sup>543</sup> See KI-3, p. 115; see also appendix C-85.

<sup>544</sup> See "Part C-II: Intelligence Activities, and Plans," p. 102.

<sup>545</sup> Testimony of Dan Fefferman, KI-2, p. 66; see also "Part C-II: Intelligence Activities and Plans," p. 106 and the 1976 KCIA Plan for Operations in the United States, KI-3, appendix 1b, p. 0.

South Korea.<sup>546</sup> A leader of the fast was a Japanese woman named Fumiko Ikeda. According to Pak Bo Hi, she was later the recipient of \$3,000 in cash from the KCIA. Pak said he received the \$3,000 in \$100 bills at his home near Washington sometime in 1975 or 1976. The money was delivered along with a 6- or 7-page letter from Yang Doo Wan. Kim Sang Keun, the KCIA officer who delivered the money and letter, said he had received both through the diplomatic pouch, together with instructions to deliver them to Pak. Kim was not told by his superiors in the KCIA why Pak was receiving the letter and the money, and he did not read the letter.<sup>547</sup>

Pak testified that he waited until his next trip to Korea to deliver the money to Ikeda. Ikeda was in Japan at the time, according to Pak, and traveled to Korea to pick up the money.<sup>548</sup> Pak said the money was payment of "expenses" incurred by Ikeda on a speaking tour in Korea, where she had spoken at anti-Communist rallies sponsored by the Korean Government. Pak further testified that Yang Doo Won had attempted to give Ikeda the money, but she refused; Yang then turned to Pak, who persuaded Ikeda to take the money. Pak said he did not know whether Ikeda's expenses during her speaking tour were originally paid by the UC, or even what her job was at that time.<sup>549</sup>

Pak's testimony about the Ikeda incident was marked by inexplicable lapses of memory and gaps in his knowledge. Pak first identified Ikeda as a Japanese UC member whom he had known for many years. Later, when Ikeda was quoted in the Japanese press as having denied being a UC member (a denial she later recanted), Pak testified that he really didn't know whether she was a UC member or not, but assumed she was because her husband was a member. Between Pak's first mention of the payment to Ikeda during his testimony before the subcommittee on March 22, 1978, and his next appearance on April 11, 1978, Ikeda traveled from Tokyo to New York where she met with Pak before returning to Tokyo. Questioned about that meeting, Pak could not recall when or where the meeting took place and did not know why Ikeda made the trip to New York or how her expenses were paid.<sup>550</sup>

Even if Pak's testimony is accepted on its face, it constitutes an admission that KCIA money was used to reimburse a UC member for services on behalf of the Korean Government and, further, that Pak helped the KCIA persuade the woman to take the money. This incident, together with others such as the planned anti-Japanese demonstration in 1974, lent additional support to executive branch reports that the Moon Organization had been used by the KCIA and other ROK agencies to carry out Korean Government policies and had been rewarded by the Government for these efforts.

Pak Bo Hi's testimony before the subcommittee brought to a head the intense propaganda campaign being conducted by the Moon Organization against the subcommittee and its chairman.<sup>551</sup> This campaign illustrated again the cohesiveness of the Moon Or-

<sup>546</sup> Master Speaks, Oct. 20, 1974, p. 18; see appendix C-222.

<sup>547</sup> Testimony of Kim Sang Keun, KI-5, p. 67.

<sup>548</sup> Testimony of Pak Bo Hi, KI-4, p. 189.

<sup>549</sup> *Ibid.*, pp. 188-191, 217.

<sup>550</sup> *Ibid.*, pp. 210-221.

<sup>551</sup> See "Part D-V: Intransigence of the Moon Organization," p. 411.

ganization, as the economic, political, and other components were mobilized to work toward a single goal. Moon businesses provided Japanese TV crews to tape subcommittee hearings, later edited for use on Korean television and in "documentaries" shown to UC members. Brochures glorifying Pak Bo Hi were prepared by Moon printers and distributed to UC members, who were also mobilized to attend the hearings and to campaign against the subcommittee chairman in a Senate primary race. Moon newspapers such as *News World* and *The Rising Tide* propagandized against the subcommittee and cast Pak Bo Hi in a martyr's role. The Capitol Hill PR team and other UC members at times spread rumors that the subcommittee chairman and staff members were Communist agents or sympathizers.<sup>552</sup>

There was reason to believe that parts of the campaign were coordinated with the Korean Government, which had embarked upon a similar—though apparently less intense—public relations effort of its own. As early as May 1977, Clyde Wallace told subcommittee staff that he had been approached by UC members to work on a story linking the subcommittee chairman to Communism. Wallace had previously provided information to the staff about Moon Organization investment in the DNB. Wallace—who has several criminal convictions—claimed to be a journalist, though it was uncertain when he entered that field. As of 1977, he ran a business called *The Spy Shop*, which sold electronic listening devices.

In September 1977, Wallace did write an article—using the name Walter Riley—in which he accused the subcommittee chairman of being a Russian agent and of adhering to the Communist line. As far as could be determined, no newspaper carried this article until late November 1977, when it appeared in *News World*.<sup>553</sup>

Wallace denied he was paid by the Moon Organization or that he cooperated with it in his numerous attacks on the subcommittee, its chairman, and the investigation. He told a staff member that his article appeared in *News World* only after two Korean Government officials, whom he did not name, visited his office and noticed the unpublished article. The two Koreans took a copy of the article when they left, and shortly thereafter it appeared in *News World*, according to Wallace.<sup>554</sup> On December 11, 1977, the day after subcommittee staff members arrived in Korea on a well-publicized investigative mission, the article was summarized on the front page of the *Korea Herald*, a Korean Government publication.<sup>555</sup>

Thus even in 1977 and 1978, when both the Korean Government and the Moon Organization were disavowing ties with one another, there was reason to believe that relations between them were still being carried on, though less openly. As discussed earlier, the Tong Il officers who came to the United States in December 1977 to discuss exporting M-16's told Colt representatives that, although the Korean Government was aware of Tong Il's discussions with Colt, the Government would deny such knowledge if questioned.

The relationship between the Moon Organization and the ROK Government is a dynamic one, changing over time. The Organization's close relationship with Kim Jong Pil and the positions held

<sup>552</sup> See p. 342 of this section for a discussion of the PR team.

<sup>553</sup> *News World*, November 1977; see appendix C-245.

<sup>554</sup> Subcommittee staff interviews.

<sup>555</sup> See appendix C-246.

by Steve Kim and Bud Han in the Korean Government provided continuous access to influential officials, access Moon saw as necessary to attain his goals. Favors were granted the Moon Organization by the Korean Government, and, in return, assistance was provided ROK officials for the furtherance of government policies or for the personal benefit of the individuals involved.

### *Economic activities*

The economics of the Moon Organization are extraordinarily complex. As addressed by the Korean investigation, they fell basically into two categories: business enterprises and financial transactions.

#### *Businesses*

The role of businesses associated with Moon and the UC has contributed to the controversy surrounding him and his movement. Numerous press reports have raised the issue of whether the UC and other nonprofit Moon Organizations were actually vehicles for the enhancement of Moon's personal wealth and served to channel funds to Moon Organization businesses.

Spokesmen for the Moon Organization have attempted to create the impression that, to the extent there is a relationship, the businesses contribute to the religious movement and not the reverse. However, the flow was in fact two ways. For example, when a commercial enterprise was beginning, funds were transferred to it from the UC directly or indirectly. After it began to prosper, it contributed to the religious or nonprofit side of the Moon Organization. The Moon Organization's economic system provided substantial advantages to its various components. The religious side provided inexpensive and ready sources of labor; access to large amounts of untaxed liquid assets; and a wide-ranging, inexpensive marketing network. The commercial side provided additional funds, power, and influence.

The economic advantages of controlling a bloc of consumers were also not missed by Moon. In a speech he instructed his followers to obey his orders so that the movement could become economically powerful:

In the future don't buy American products if Master says to buy from somewhere else. If you believe in what he says, you practice it, you will become the wealthiest people and the wealthiest nations, but not necessarily on earth. Buy from the company he designates in the future. It doesn't matter if it is a small or large item. Soon that product will be the one manufactured by us. We have to buy that one. Then the world or universal economy will come to us.<sup>556</sup>

The investigation of Moon-related businesses shows that they are totally interrelated with noncommercial components of the Moon Organization. There is a pattern of interlocking directors, officers and stockholders. The interrelationship of the businesses with the UC and other components of the Moon Organization is made explicit in internal UC publications, where there are frequent references to the "family" businesses, as they are called.

There is evidence that the Moon businesses do not always respect the laws of the countries in which they operate. Most of the allegations involving the United States are reviewed in the financial

<sup>556</sup> Master Speaks, Jan. 2, 1972, p. 103; see appendix C-210.

ransactions section below; prosecution of Il Hwa officers in Korea has already been discussed.

### *Financial transactions*

The growth and operation of the Moon Organization required substantial sums of money. This was true for both its commercial and noncommercial components. From 1973, it does not appear that finances were ever a serious problem. Any unit that lacked adequate capital was always subsidized by some other part of the organization; the flow of money among organizations was a characteristic of the Moon Organization. For the most part, officials of the various components tried to keep such transactions concealed. In this they have been largely successful.

In terms of Moon Organization financial transactions, subcommittee staff focused on several issues: (1) Sources of funds; and (2) uses to which funds were put.

The subcommittee sought to determine whether the Moon Organization had violated U.S. currency and tax laws; regulations governing tax-exempt and nonprofit organizations; and the charters of the various components.

#### Sources of Funds

The principal sources of Moon Organization funds were proceeds from businesses; money raised on behalf of the charitable or nonprofit U.S. components of the Moon Organization; and funds from outside the United States, the ultimate source of which was undetermined.

UC fundraising teams were capable of raising millions of dollars a year.<sup>557</sup> Because these sums were raised by hundreds of individuals and sent as cash or money orders to the UC headquarters, it was impossible to ascertain the exact amounts involved. However, the subcommittee interviewed several former UC fundraisers who said they each were able to raise approximately \$100 a day for the national headquarters.

Due to the relative newness of the Moon Organization businesses in the United States, many of them at the time of this report constituted a drain on resources rather than an asset. In the future this situation may change, and, as in the case of enterprises in Japan and Korea, these U.S. counterparts could prove a valuable source of income for the Moon Organization.

As noted earlier, funds were brought into the United States not only for the Moon Organization's own benefit, but also as favors to ROK Government officials and others confronted with the ROK's strict currency control laws.

#### Use of Funds

Free transfers of money and personnel across international boundaries and back and forth from religious to political or business activities were extremely important to the Moon Organization. For example, Moon personally directed the early funding of News World by authorizing large transfers of funds from the UCI account. In the 5-month period from November 5, 1976 to April 7,

<sup>557</sup> See p. 318 of this section.

1977, Moon directed the transfer of \$2,550,000 to the News World Communications account at Chemical Bank in New York.<sup>558</sup>

Other UCI disbursements included \$30,000 to a recording studio owned by Pak Bo Hi<sup>559</sup> and transfers to the KCFF office in Seoul.<sup>560</sup>

Another use to which the Moon Organization's funds were put was as collateral for a series of loans negotiated by Pak Bo Hi on behalf on the KCFF. These loans were for construction of a "Performing Arts Center" in Seoul for the Little Angels.<sup>561</sup>

At a meeting on August 20, 1971, the KCFF board of directors resolved to explore ways of attracting funds for this purpose. Land had been acquired at an attractive location in Seoul through the efforts of Pak, Yang You Chan, and Kim Chong Hoon, who spoke to Korean Government officials to obtain the necessary permits to enable the KCFF to begin construction on the site.<sup>562</sup>

In early 1974, Pak Bo Hi made inquiries at the Chase Manhattan Bank, where Moon and the UC had accounts, about a loan to the KCFF to finance the construction of the center. Pak was turned down. In July 1974, he obtained a \$250,000 loan from a Los Angeles branch of the Bank of America. Moon provided the collateral for the loan by pledging funds on deposit in his own name at Chase Manhattan.<sup>563</sup>

In September 1974, Pak revealed the Bank of America loan to the KCFF board of directors. The KCFF minutes for September 3, 1974 say that Pak got the board to ratify an additional \$250,000 loan from the Commercial Bank in Seoul, Korea.<sup>564</sup> Both Charles Fairchild and David Martin told subcommittee staff that the loan was ratified on the express condition that Pak take out no further loans without advance approval by the board because they did not think that the KCFF could carry such a heavy debt load. That condition did not appear in the minutes, which Fairchild claimed were altered by Pak.

The \$250,000 loan from Bank of America was for 1 year. When the bank asked Pak for repayment in full in June 1975, the KCFF was in no position to do so. Pak asked for an extension, which was refused, and Bank of America collected Moon's collateral. Bank of America officers told subcommittee staff that their decision to call the loan in 1975 reflected second thoughts about making such a loan in the first place, given the uncertain status of KCFF and the fact that the loan was for a construction project in Korea.

Pak then turned to Chase Manhattan and, in a complex series of transactions, managed to borrow \$250,000, again using as collateral additional funds on deposit in Moon's name at Chase. In connection with this loan, Pak submitted to the bank "corporate resolutions"

<sup>558</sup> Financial records of the Unification Church International. See appendixes C-257, C-261, and C-263.

<sup>559</sup> See appendix C-283.

<sup>560</sup> See appendix C-250. See also testimony of Pak Bo Hi, KI-4, pp. 281, 494. Other transactions are discussed on pp. 322-323.

<sup>561</sup> The subcommittee found no evidence to contradict Pak's statements that these funds were in fact used in connection with the construction of this facility. However, due to restrictions on investigative activity in Korea, the subcommittee was unable to examine records or conduct interviews which would have verified the disposition of these funds once they reached Korea.

<sup>562</sup> Sworn statement of Kim Chong Hoon.

<sup>563</sup> Financial records of components of the Moon Organization from Chase Manhattan Bank and Bank of America; appendix C-255 C-256.

<sup>564</sup> Minutes of the Korean Cultural and Freedom Foundation; appendix C-291.

attested to by Judith LeJeune as Secretary of the KCFF, which indicated that the KCFF's board of directors had approved the loan. This approval had in fact not been given.<sup>565</sup>

Pak used the proceeds of the Chase Manhattan loan to repay Moon the collateral he lost on the defaulted Bank of America loan. In 1976, KCFF was unable to repay Chase Manhattan for the new \$250,000 loan and interest, and Pak negotiated a 1-year extension, or "rollover." However, when it came due in mid-1977, KCFF was in no better position to pay than it had been in 1975 or 1976. Chase eventually called the loan and collected Moon's collateral.

Despite KCFF's inability to repay the loans from the Bank of America and Chase Manhattan, Pak proceeded to commit the foundation to additional loans, the purpose of which was again to raise funds to send to Korea in connection with the performing arts center. The next loan was for \$250,000 from the Diplomat National Bank in Washington, D.C. Pak had applied for it on December 16, 1975, the day after the bank opened. Pak then turned to the Union First Bank in Washington for \$400,000. UCI pledged that amount as collateral, as indicated in a document of April 28, 1976.<sup>566</sup>

The next loan was from the National Savings & Trust Company, also in Washington, for \$390,000. It was taken out in October 1976, at a time when the activities of Pak, the UC, and the KCFF were topics of public controversy. Pak used the proceeds to pay off the \$250,000 loan to the Diplomat National Bank and to retire part of the \$400,000 loan from Union First. The remainder was deposited in the KCFF's Little Angels account.

Collateral for the October 1976 National Savings & Trust loan was a Certificate of Deposit at the Diplomat National Bank; it came from funds wired to the United States by the Tokyo branch of the International Cultural Foundation. Pak testified that he arranged for this pledge of collateral through Mitsuharu Ishii. As noted earlier, Ishii was the ICF officer who had also been the head of Tong Il Industries in Japan (Toitsu Sangyo); head of Sekai Jippo, the Moon Organization newspaper in Japan, and, more recently, head of One Way Productions, a film company with offices in Tokyo and Los Angeles. According to Pak, he was also the source of most of the funds used to purchase stock in the Diplomat National Bank in the name of UC members.<sup>567</sup>

Pak testified that in January 1977 he received authorization from the ICF to treat the \$400,000 as a "contribution" to the KCFF so that it would not have to be repaid.

These loan maneuvers raised the question of whether the funds pledged as collateral on Moon's authority were his own or belonged to the UC or another Moon Organization component. Pak testified that the account Moon used as collateral was actually a "Church" account, despite appearances to the contrary:

Many people have misunderstanding about Reverend Moon and his wealth. Many think he has unlimited private resources, but that is absolutely untrue. He supports his family by receiving a regular modest salary. Reverend Moon does not even

<sup>565</sup> Corporate resolutions of the Korean Cultural and Freedom Foundation, see appendix 263; KI-4, p. 392.

<sup>566</sup> Resolution of Unification Church International; see appendix C-271.

<sup>567</sup> Testimony of Pak Bo Hi, KI-4, p. 306ff.

own the home he lives in. It is owned by the church. He does not have a savings account.<sup>568</sup>

Pak admitted that Moon had accounts in Chase Manhattan in his own name, but said these accounts were "sort of like informal public accounts of our Church":

\* \* \* later that account transformed into Unification Church International legal entity. That account became a UCI account. But prior to establishment of UCI, it was held in our leader's name in Chase Manhattan.<sup>569</sup>

This ambiguity over actual ownership of assets was characteristic of Moon Organization financial affairs and further indicated to the subcommittee the interchangeability of the various components of the organization. Despite Pak's assertion that the accounts in Chase Manhattan were "church" accounts all along, bank records simply listed the accounts in Moon's name as an individual, with no indication that they were church accounts. Moreover, there are no references in the loan papers to indicate that the collateral was being put up by the UC rather than by Moon as an individual. The UC, as a corporate entity, maintained separate accounts.

Other assets of the Moon Organization were also treated interchangeably as belonging to Moon or to a corporation subject to his control. For example, in March 1975, Daikon Ohnuki, Han Sang Kil, and Melvin C. Orchard, all presenting themselves as assistants to Moon, met with an officer of Chase Manhattan in New York. According to the officer, "[t]he object of their visit was to initiate discussions with the bank on the possibilities of our participation with Moon in investment projects in the U.S."<sup>570</sup> The bank officer was told that:

Reverend Moon has very large holdings in both Korea and Japan in industrial, manufacturing, mining and other business enterprises and is considering making similar investments in the United States. They spoke of a figure of \$20 million in liquid funds being available, but were not too clear on whether this was represented by Won and/or Yen nonconvertible deposits.<sup>571</sup>

Chase Manhattan did not enter into any business ventures with the Moon Organization; lack of details on Moon's financial holdings was a factor in this decision.

In practice it seemed to make little difference whether the assets of businesses, money on deposit at Chase Manhattan, UCI's accounts, and other holdings were "Moon's" or "church related." Within the Moon Organization, control was in the hands of Moon and his top lieutenants, regardless of legal niceties, and the funds moved freely as required from one or another component.

#### *Diplomat National Bank*

The subcommittee's interest in the Diplomat National Bank resulted from an allegation that persons associated with Sun Myung Moon and Tongsun Park tried to gain control of the bank. The allegation was based on information that the church and employees of Tongsun Park constituted a controlling interest in the bank of approximately 64 percent. The subcommittee also sought to determine whether the ROK Government was involved; whether there was collaboration between the Moon Organization and Tong-

<sup>568</sup> KI-4, pp. 341-342.

<sup>569</sup> KI-4, p. 342.

<sup>570</sup> Memorandum of a Chase Manhattan Bank officer.

<sup>571</sup> *Ibid.*

un Park; and whether there were illegal loan transactions between the bank and the purchasers. It did so by attempting to discover the source of the funds used and the reasons for purchasing the stock.

The Diplomat National Bank of Washington, D.C. opened on December 15, 1975. It was organized by Asian-Americans and other persons interested in the Asian-American community; the chairman was Charles Kim, a naturalized American of Korean origin. Initial authorized capitalization was \$2 million.<sup>572</sup> One of the stipulations contained in the bank's offering circular was a requirement by the Controller of the Currency that no individual have an interest in more than 5 percent of the total authorized stock; this at a limit of \$100,000 on individual stock purchases.

During the summer of 1975, when Charles Kim was soliciting stock subscriptions, Jhoon Rhee,<sup>573</sup> a member of the bank's organizing committee, suggested approaching Pak Bo Hi to invest in the bank and to find others who might also be interested. Either Pak Bo Hi or Rhee suggested Moon. Pak arranged a meeting at Moon's residence in Tarrytown, N.Y., attended by Charles Kim, Jhoon Rhee, and Raymond Gilkerson, a businessman with banking experience whose son-in-law was prominent in the Moon Organization.<sup>574</sup> Moon was noncommittal, but later purchased \$80,000 of stock—to serve, as he said, the Asian-American community.<sup>575</sup>

In September 1975, Pak Bo Hi himself purchased \$75,000 of stock, paying with a check made possible by cash he had earlier deposited to his account in a circuitous manner. He also provided his housekeeper, Kum Hee Kwak, with the cash to purchase \$8,100 of stock. Subsequently he provided \$738,000 in cash for stock purchases by 13 Unification Church members.<sup>576</sup> Other Moon-affiliated persons who purchased stock were Neil Salonen (\$30,000), Takeru Kamiyama (\$75,000), and Jhoon Rhee (\$100,000).<sup>577</sup>

In addition Pak loaned \$100,000 to DNB Chairman Charles Kim to finance Kim's purchase of stock in the bank. This money was so given in cash. Pak also facilitated DNB stock purchases for Gisela Rodriguez and Judith LeJeune, employees of the KCFF.

Pak said he had obtained the \$100,000 in cash he loaned Charles Kim from the "Unification Church Pension Fund International" (despite the fact that Kim was not a UC member). Gisela Rodriguez told the subcommittee staff that Pak had arranged a bank loan for her investment (he co-signed the bank note) and instructed her to pay interest on the bank loan by taking money from cash contributions to KCFF. The loan transaction thus disguised the real source of the funds, which was KCFF. When Rodriguez sold her stock in the wake of adverse publicity about the bank's links to Tongsun Park and the Unification Church, she repaid the balance of the bank loan and returned the rest of the proceeds of the stock sale to

<sup>572</sup> The actual capitalization of the Diplomat National Bank was \$2,424,525.

<sup>573</sup> Rhee was an original director of the Unification Church of Virginia and a close friend of Pak Bo Hi. See p. 317 of this section.

<sup>574</sup> Testimony of Pak Bo Hi, KI-4, p. 341 and staff interviews with Jhoon Rhee, Charles Kim, and Ray Gilkerson.

<sup>575</sup> Testimony of Sun Myung Moon before the SEC.

<sup>576</sup> Testimony of Pak Bo Hi, KI-4, pp. 305-307.

<sup>577</sup> Senator Ted Stevens (R-Alaska) and Representative Richard Ichord (D-Mo.), also invested in the bank after solicitations by Rhee, apparently because they were both karate students of his.

KCFF. Pak told her that Judith LeJeune would have to follow the same procedure. He treated the repayments as donations to KCFF.

The total of these purchases was about \$1.28 million, meaning that about 53 percent of the bank's actual initial capitalization was owned by persons affiliated with the Moon Organization.

In the months preceding the investments, leaders of the various components of the Moon Organization had shown both a frequent need for substantial banking services and an interest in controlling a bank. In a speech on February 16, 1975, Moon twice spoke of establishing a bank. The second time he said:

On the economic front, we are going to earn money through our trade agencies in many nations, gather the money and make an international bank, so that the currency will be freely coming back and forth.<sup>578</sup>

On February 23, 1975, Salonen was quoted talking about the need to rely on "outside economic power" such as banks and that Moon would depart shortly on a trip to East Asia to borrow money.<sup>579</sup> In March, Moon's representatives contacted Chase Manhattan Bank in an attempt to obtain Chase's help in financing business investments in the United States.

It was during that same period, a few months prior to the investments in the Diplomat National Bank, that Pak Bo Hi was having problems in getting bank financing for the construction of the Little Angels School and performing arts center in Seoul.

#### Sources of DNB funds

The subcommittee was unable to get convincing answers to questions about the sources of funds for the investments in the bank. The subcommittee traced the source of Moon's funds for his stock purchase to a time deposit in his name at Chase Manhatttan Bank which had been set up in January 1974, with deposits totaling \$555,931. This time deposit was closed out at Moon's request on September 2, 1975. The proceeds were then deposited to a checking account at Chase in Moon's name and funds for Moon's purchase (\$80,000) were then shifted through two more checking accounts in his name, also at Chase, before he wrote his check to DNB for his stock. These funds transfers through four Chase accounts in Moon's name took place within 7 days prior to his purchase of the stock.<sup>580</sup>

Takeru Kamiyama obtained the money (\$75,000) for his stock purchase came mostly from a loan to him from the Unification Church in New York. The subcommittee traced the source of those funds (\$70,000) back also to Moon's time deposit. Shortly before his purchase of stock, Kamiyama opened a checking account in his own name at Citibank in New York. Four days before his purchase, Clifford Yasutake, a church official associated in various ways with managing church finances, endorsed a check for \$285,000 from Moon's checking account at Chase over to a Chemical Bank check-

<sup>578</sup> Master Speaks, Feb. 16, 1975, p. 9; see appendix C-224.

<sup>579</sup> Notes of an ex-member of the Unification Church on Neil Salonen's speech.

<sup>580</sup> One means of determining the source of funds for Moon Organization stock purchases that was adopted by the subcommittee was to examine the eventual disposition of the funds after some Moon Organization purchasers sold their stock in the bank. In Moon's case, his \$80,000 was returned to one of the originating checking accounts at Chase in March 1977, then immediately transferred by check to the UCI account at DNB. Dispersals from this account are described in other parts of this section. This transaction illustrates the interconnectedness of church finances among the different components of the Moon Organization.

ing account in the name of the Unification Church, New York. The source of this \$285,000 was Moon's time deposit proceeds from which Moon's own stock purchase funds were derived. Two days before Kamiyama wrote his check for \$75,000 to DNB for the stock purchase, Kamiyama wrote a check to himself from this Unification Church, New York checking account and deposited the check to his newly opened Citibank account. Two days later, he wrote a check for his stock from this Citibank account.

In effect, both Moon's and Kamiyama's stock purchase money came from the same source, namely, cash deposits to Moon's time account at Chase which, though the time deposit was in his name, Moon has characterized in testimony before the SEC as being "church funds."

Though the funds came from the same source, the checks presented by Moon and Kamiyama for their actual stock purchases came from two apparently unrelated checking accounts in their own names. Certain other stock purchases made by Unification Church members which were arranged by Pak Bo Hi were also made through personal checking accounts in the names of the church members and were based on deposits of cash to those accounts just prior to the actual stock purchase. One couple who invested at Pak's suggestion purchased cashier's checks which they deposited to their checking account less than a week before their purchase. Other church members or persons closely associated with Pak Bo Hi who wrote checks for their purchases based on infusions of untraceable cash (or cashier's checks drawn on other accounts to which untraceable cash had been deposited) included Kook J. Seuk, Neil Salonen,<sup>581</sup> Pak Bo Hi himself, and David S. C. Kim. Moon Rhee's \$100,000 investment apparently came from personal resources.

Pak Bo Hi's explanation of how he obtained almost \$1 million for bank stock purchases was complex and unconvincing. He testified that \$90,000 came from a loan from Mitsuharu Ishii. Ishii gave him the money in cash in New York in November 1974, but he did not know how Ishii obtained it or brought it into the country.<sup>582</sup> Pak kept the money at his home for nearly 10 months—for "no particular reason."<sup>583</sup> Some days before purchasing the stock, Pak deposited most of the money in his Riggs account—but in three separate installments, described as follows: On September 3, he bought a 50,000 cashiers check at the National Savings and Trust Co. which he later deposited in Riggs. On September 5, he bought a \$15,000 cashiers check, also at National Savings and Trust, and again deposited it at Riggs. Finally, he deposited \$10,000 in cash directly into the Riggs account.

Following these deposits Pak was able to write a check to pay for his \$75,000 stock purchase.<sup>584</sup> Pak said there was "no particular reason" for this circuitous method of transferring the money into his account.<sup>585</sup>

<sup>581</sup> Neil Salonen testified that he borrowed his \$30,000 in cash from four individuals (all of whom were Unification Church members.)

<sup>582</sup> Testimony of Pak Bo Hi, KI-4, p. 363.

<sup>583</sup> *Ibid.*, pp. 364-365.

<sup>584</sup> *Ibid.*, p. 365.

<sup>585</sup> Testimony of Pak Bo Hi, KI-4, p. 370.

The money used to buy stock in the names of 13 fellow Unification Church members came from the "Unification Church Pension Fund International," according to Pak's testimony. Initially he said this fund was begun around 1971 as a result of Moon's order to start a "family assistance program" for elder church members.<sup>586</sup> Pak delegated responsibility for it to Mitsuharu Ishii in Tokyo. According to Pak, only he, Ishii, and Shimba (Ishii's assistant) had any control over the fund, and, so far as he knew, no one else was aware of its existence:

It was formally founded in 1971 and assigned to a program officer of our church for the responsibility, and it was named the Unification Church Pension Fund International. Over a period of years, from around 1971 to 1975, it accumulated enough funds so that we were able to consider establishing a good program.<sup>587</sup>

When questioned, Pak was unable to provide much detail. He said the fund "generally" was maintained in New York, where it was founded "generally" in 1971, but that later it was moved to Japan. He backed off the statement that the fund was "formally founded" by saying it was started "informally and very loosely," and that

\* \* \* there was not any legal paper drawn up or any formal kind of meeting or registration kind—it is not founded as a legal entity at all.<sup>588</sup>

Pak further testified that he did not know exactly where the fund was kept from 1971 to 1975, whether the fund was ever kept in a bank, how much money was in it, or what happened to it.

Mr. FRASER [chairman of the subcommittee]. I am having difficulty understanding. You say this [the fund] started informally and loosely; that you gave Mr. Ishii direction to start the fund. You don't seem to know anything about the fund thereafter.

Mr. PAK. No, sir.<sup>589</sup>

Pak testified that the pension fund was built up over a long period of time from contributions of UC members traveling into the United States. He himself had never contributed to it, did not know of anyone who had, and never actually saw the fund until cash was delivered to him for the DNB stock purchases. Pak was also uncertain how the fund got its name:

Mr. FRASER. What is the name of the fund, Colonel?

Mr. PAK. If I define that fund, I define as I told you already: Unification Church Pension Fund International.

Mr. FRASER. When did that name get attached to it?

Mr. PAK. I have no memory, no recollection. I don't have any idea.<sup>590</sup>

Pak also had no idea whether there were any written records of the fund.

Despite his asserted lack of knowledge, Pak gave the subcommittee prepared statements which were widely circulated in Moor Organization public relations campaigns that contained the following declaration:

The money for the Unification Pension Fund International comes from the contributions of our members; not a penny comes from the Korean Government or certainly not from Korean CIA.<sup>591</sup>

<sup>586</sup> KI-4, p. 308.

<sup>587</sup> Ibid., p. 308.

<sup>588</sup> Ibid., p. 310.

<sup>589</sup> Ibid., p. 313.

<sup>590</sup> Ibid., p. 314.

<sup>591</sup> Testimony of Pak Bo Hi, KI-4, *ibid.*, p. 310.

The subcommittee found Pak's description of the pension fund to be implausible on its face.

Pak testified that he received the \$738,000 from the fund to loan to church members so they could purchase stock. He received the money, mostly in \$100 bills, over a period of approximately 1 month, from late August to late September or early October 1975. It came directly from Mr. Shimba, Ishii's assistant. Pak had drawn up "a list of names of those who would qualify for a loan" and contacted each person:

If I remember correctly, I made sure to explain the following to each person: One, I asked if they would like to obtain a loan in order to invest in a bank. I explained that the loan came from Unification Church Pension Fund International, which had accumulated for the purposes of helping elder members settle their families. I also explained that the loan would be noninterest and would be repayable within 10 years if the money was available, so it would be there for other members to use.

Two, I explained that they would be buying the stock as outright owner and they had the right to do with the stock as they pleased. They could either keep it or sell whenever they wanted. The purpose of the stock was to help them gain financial security.<sup>592</sup>

Pak indicated to the SEC that the 10-year repayment period was not to be taken seriously:

You know in order to make them relax and enjoy the fund benefit coming, I explained to them it is almost indefinite thing until you really come up with the money to pay back. If it takes ten years or more than ten years, that will be perfectly all right.

So ten years may not be that clearly registered in their understanding. But it was an understanding between Mr. Ishii and myself.<sup>593</sup>

The Securities and Exchange Commission and Federal Reserve Board attempted to question the UC members in whose name Diplomat National Bank stock was purchased with funds provided by Pak. Some of these persons could not be located, while others claimed their fifth amendment privilege and refused to testify. Those who did respond did not support Pak's testimony before the subcommittee.<sup>594</sup>

Not only was the 10-year period "not clearly registered" in their minds, these persons had only a vague idea of the terms under which they received funds. One thought he was supposed to return the money to Pak or the church once the stock was sold. They received no promissory notes as evidence of any loans, nor was there any mention of a "pension fund." None knew the source of the funds provided by Pak.

#### Use of the Diplomat National Bank

The opening of the Diplomat National Bank gave the Moon organization the opportunity to exercise great influence—if not outright control—over a newly organized American bank. Bank chairman Charles Kim told the subcommittee that he was unaware of Pak Bo Hi's close connection with Moon when they discussed the stock purchases. However, after the bank opened, he said Pak requested that he segregate a number of proxies. They belonged to UC members who had bought stock with the money provided by

<sup>592</sup>KI-4, p. 309.

<sup>593</sup>Testimony of Pak Bo Hi before Securities, and Exchange Commission, Apr. 18, 1978, p. 142.

<sup>594</sup>Securities and Exchange Commission documents concerning Unification Church members.

Pak. Instead of being mailed to the individuals, they would presumably be delivered by Pak.<sup>595</sup>

The Moon Organization's ability to influence and control the DNB was enhanced by opening the UCI account, which made it one of the single largest depositors.<sup>596</sup> Pak and Moon denied any intention to control the DNB, and said the decision to move the UCI account to Washington was made for other reasons. According to Moon, it was because UCI was located in Washington.<sup>597</sup> However, UCI stationery showed its location to be Tarrytown, N.Y.; nor was UCI incorporated in Washington until February 1977.

Whatever the reasons for opening it, the account satisfied one of Moon's purposes for wanting to establish an international bank: "so that the currency will be freely coming back and forth."<sup>598</sup> Over \$7 million went into the UCI from December 1975 to March 1977. The money was disbursed largely among other entities in the Moon Organization. Payments to News World and the Moon fishing companies alone accounted for over \$2,710,000. Other payments went for legal fees for Pak Bo Hi, Moon, and other church officials; a recording studio owned by Pak (\$30,000); \$200,000 to KCFF's branch accounts in Korea, including \$50,000 to one of UCI's directors, Kim Won Pil (also president of Il Hwa Pharmaceutical); and payments to other Moon organization business ventures.<sup>599</sup>

In addition to the UCI account, Pak had several KCFF accounts moved to the Diplomat National Bank in early 1976.

Shortly after the bank opened in December 1975, Pak applied for \$250,000 in loans, the proceeds of which were to be wired to Korea for construction of the performing arts center for the Little Angels. One loan for \$100,000 went to Pak himself; it was secured by shares in "Grace and Park Corp.," the corporation formed by Pak and his wife to hold title to their real estate (property substantially encumbered by mortgages). The other loan (\$150,000) was for the KCFF and was secured by KCFF accounts at the Diplomat National Bank—accounts which had been partially funded by the first loan.<sup>600</sup>

The loans were initially approved on December 16, the day after the bank opened, without a meeting of the loan committee, which was a violation of the bank's own rules. Then, on December 31, the board of directors approved them at a meeting. The minutes of the meeting stated that "Mr. Barr's vote would be 'nay' to the Korean Cultural and Freedom Foundation loan if Reverend Sun Moon was associated with the group."<sup>601</sup>

In February 1976, as a result of a routine audit, the U.S. Comptroller of the Currency notified the bank that the loans to Pak and the KCFF had to be considered as one loan, according to banking laws. Since the combined total exceeded the bank's lending limit, the loans had to be curtailed by \$25,000.<sup>602</sup>

<sup>595</sup> Sworn statement of Charles Kim.

<sup>596</sup> See p. 322 of this section.

<sup>597</sup> Testimony of Sun Myung Moon before the Securities and Exchange Commission.

<sup>598</sup> Master Speaks, Feb. 16, 1975, p. 9; see appendix C-224.

<sup>599</sup> Financial records of the Unification Church International, see appendixes C-250, C-283.

<sup>600</sup> Records of the Diplomat National Bank concerning Pak Bo Hi's loan see for example, appendixes, C-252, C-253, C-254. Testimony of Pak Bo Hi, KI-4, pp. 391-392.

<sup>601</sup> Minutes of the Diplomat National Bank, Dec. 31, 1975. See appendix C-253.

<sup>602</sup> Letter from the Comptroller of the Currency; see appendix C-252.

Pak paid off the loans in late 1976—after public controversy had begun over his and Moon's role in the stock purchases—but only after borrowing the \$400,000 from Union First. The collateral for that loan was put up by the International Cultural Foundation in Japan, part of the Moon Organization. Later, when it became apparent that KCFF would not be able to repay the Union First loan, the ICF treated the \$400,000 collateral as a "donation" to the KCFF.

In the spring of 1976, media reports had begun to appear concerning Diplomat National Bank stock purchases by Moon and church members. As a result, the bank decided to encourage Moon and his followers to sell their stock. Charles Kim conveyed this request to Pak, who was upset.<sup>603</sup> Moon agreed to sell his stock, and Pak to contact church members who owned stock to persuade them to sell. Pak, however, told Kim he wanted to dictate the order of the members' sales so as to minimize adverse publicity.<sup>604</sup> Thereafter, 12 owners tendered their shares back to the bank for resale.

Only six members' shares were eventually resold. The reason was that the addresses of record at the bank for a number of them were invalid by the time of the resale (hence the shares are still held by the bank in their names) and because the bank experienced difficulty in reselling the shares. A seventh church member's shares were partially resold.

The bank issued cashiers checks to those members whose shares were resold. These were negotiated in ways which made the funds difficult to trace. For example, Duk Moon Aum, a long-time church member in Korea and the architect for the Little Angels performing arts center in Seoul, had purchased \$50,000 of the stock with money provided by Pak. After talking with Pak and Kim, Aum agreed to sell his stock. The next day he went to the DNB and received a \$50,000 cashiers check from the bank, which he promptly converted to cash (the bank did not report this cash transaction to the Treasury, in violation of banking laws and regulations).<sup>605</sup>

On the same day, a Korean businessman named Choi Che Yung bought the shares Aum had sold to the bank. Choi used money he got from Yang Doo Won, a high-ranking KCIA official in Seoul. Choi denied consulting with Yang before buying the stock; Kim said he did not know Choi was using KCIA money. However, Kim said that earlier in 1976, during a trip to Korea, he had discussed the Diplomat National Bank with Yang Doo Won and the KCIA director, and had later received letters from them.<sup>606</sup>

When reports of the UC investment in the bank first became public, Pak and other church members met to consider ways to deal with the bad publicity. The subcommittee received conflicting versions of what was discussed:

(1) Clyde Wallace (also known as Walter Riley) told subcommittee staff that since Moon, Pak Bo Hi, and Neil Salonen sometimes asked for his advice, he was invited to a meeting at Pak's office in Washington on June 19, 1976. Also present were Neil Salonen, Michael Runyon, and Cha Han Joo, a church leader from Baltimore. Pak expressed concern that the church

<sup>603</sup> Testimony of Pak Bo Hi, KI-4, pp. 357-358; sworn statement of Charles Kim,

<sup>604</sup> Sworn statement of Charles Kim.

<sup>605</sup> Testimony of Charles Kim before the House Committee on Standards of Official Conduct.

<sup>606</sup> Sworn statement of Charles Kim.

had brought in large amounts of cash from foreign countries specifically Japan, Germany, and Korea, for its investment in DNB and had used church members as fronts.<sup>607</sup> Wallace suggested the Unification Church make up phony notes to imply that the money was borrowed.

(2) Neil Salonen testified under oath that he was present at a meeting during which there was a discussion about funds being brought in from abroad for investments in the Diplomat National Bank. He refused to give further details, claiming attorney-client privilege because, he said, a lawyer was also present at the meeting.<sup>608</sup>

(3) Pak Bo Hi testified under oath that Wallace had been present at a meeting in Pak's office at about the time of newspaper stories on the bank investments. However, he denied there had been any discussion about the source of funds for the stock purchases.<sup>609</sup>

### Tongsun Park and the Diplomat National Bank

A total of \$250,000 in stock was purchased in the names of three senior employees of Tongsun Park: \$84,000 for Spencer Robbins Park's executive vice president; \$83,000 for Dick Staples, Park's financial adviser; and \$83,000 for Milton Nottingham, Park's shipping consultant. They used money Park had "loaned" them.

Tongsun Park told the subcommittee staff that Charles Kim suggested in the summer of 1975 that he invest in the bank Kim was organizing. Park decided to do so partly out of a desire to help the young Korean-American businessman, but also because he intended eventually to acquire a controlling interest in the bank since "Whenever I made any investment at all, I always wanted to have a majority position."<sup>610</sup> Kim advised Park that the maximum stock purchase for one person was 5 percent, or \$100,000. Park using his own money, decided to buy his stock through three nominees so as to avoid the limitation. He said, "I was going to maneuver later and acquire more and more. \* \* \* I was going to own the Diplomat National Bank by myself."<sup>611</sup> He intended to achieve his goal by 1981 or 1982. Tongsun Park said he was unaware of any involvement by the ROK Government in the Diplomat National Bank and that he never discussed the bank with an official of the Government. He surmised, however, that it was "highly conceivable" that Kim would have tried to interest the Government in the bank: Korea "is a country where, if you want to do well, undoubtedly you should have a blessing from the political sector, especially people in power \* \* \*"<sup>612</sup>

Tongsun Park also stated that, at the time of his investment in the Diplomat National Bank, he was unaware that Rev. Moon and followers were also buying stock.

<sup>607</sup> Subcommittee staff with interview Clyde Wallace.

<sup>608</sup> Testimony of Neil Salonen, SIO executive session, Sept. 30, 1976. pp. 87-98.

<sup>609</sup> Testimony of Pak Bo Hi, KI-4, pp. 337-338.

<sup>610</sup> Sworn testimony of Tongsun Park.

<sup>611</sup> Ibid.

<sup>612</sup> Ibid.

## Summary

The Moon Organization directly provided at least \$1,078,000 to purchase shares in the Diplomat National Bank's original stock issue. This was about 45 percent of the eventual capitalization of 2,424,525 and represented 43,120 shares. In addition to funds directly provided, \$207,000 worth of stock was purchased by Unification Church members or persons with clear ties to the Moon Organization or persons with family ties to Pak Bo Hi, to whom he strongly recommended the investment. These funds derived from private sources or from obscure sources which could not be definitively linked to the Moon Organization.

The subcommittee found no evidence of collaboration between Tongsun Park and the Moon Organization in the purchase of stock. Both the Moon Organization and Tongsun Park used similar methods to avoid the 5-percent limitation on stock purchases by a single individual or organization. Park bought \$250,000 of stock in the names of his business associates, using funds from one of his companies. The Moon Organization, though it financed its purchases in several ways, principally bought its stock—\$738,000 worth—in the names of 13 church members. Pak Bo Hi coordinated their investments and paid for the stock in cash which he said he received from the "Unification Church Pension Fund International." The subcommittee was unconvinced that such a fund was ever established or used for that purpose. Both Tongsun Park and Pak Bo Hi characterized the transfer of funds to purchasers as no-interest, no-collateral, 10-year loans.

In September 1977, the SEC charged Tongsun Park, Pak Bo Hi, and the Diplomat National Bank with securities violations arising from the bank's representations that no individual owned or had a beneficial interest in more than 5 percent of the bank's stock. The SEC charged that Tongsun Park had bought approximately 10 percent through three nominees, and Pak Bo Hi approximately 43 percent through 18 nominees. The charges were eventually settled by consent decrees.

The SEC complaint was filed prior to the disclosures by Pak Bo Hi and Charles Kim in testimony they made under grants of immunity. Pak in effect denied that he had been acting as an individual in the purchase. Although Pak was unable to name any legal entity in control of the fund, he suggested that the Unification Church or some other component of the Moon Organization was the actual owner of the funds used to purchase the bank stock. Also, the Moon Organization, in addition to violating the Diplomat National Bank's 5-percent limitation, may have violated banking laws which prohibit an organization or "holding company" from owning more than 25 percent of the stock in an American bank.<sup>613</sup> The Korean Government, particularly the KCIA, participated in the establishment and operation of the Diplomat National Bank. The KCIA station chief in Washington, Kim Yung Hwan, was in frequent contact with Charles Kim beginning in the summer of 1975. It was Kim Yung Hwan who negotiated the opening of an account for the Korean Embassy; likewise Kim Yung Hwan helped Charles Kim make arrangements to go to Seoul, shortly after the

<sup>613</sup> 12 U.S.C. 1841.

bank opened, to establish a correspondent relationship with Korean banks. Kim met with the KCIA Director in Seoul, and the KCIA apparently smoothed the way for him to meet the appropriate banking officials in the Government. Kim worked through the KCIA because "it is customary that no business can be done unless the Government opens the door for you \* \* \*." <sup>614</sup>

The subcommittee found no evidence that money of the Korean Government helped finance initial investments in the bank. However, the government may have provided the \$50,000 later invested by Choi Che Yung, who bought stock sold back to the bank by Duk Moon Aum. He used some of the funds Yang Doo Won sent to the KCIA in Washington with instructions that it be given to Choi. The money, according to Choi and Kim Sang Keun, could have been Yang's private funds, which he—perhaps along with others—sought to invest in the United States. Choi told subcommittee staff that he invested the money in the Diplomat National Bank without Yang's knowledge.

Although the subcommittee could not interview Yang and had no evidence to contradict Choi's statement, it should be noted that Choi's company had business dealings with the KCIA during this period and that Choi once told Charles Kim that the money to buy the bank stock came from a research contract with the Korean Government. Moreover, the purchase of stock with Yang's money occurred only a few months after Yang and Charles Kim had discussed the Diplomat National Bank during Kim's trip to Korea. Taking all of these factors into consideration, the subcommittee could not dismiss the possibility that the \$50,000 invested by Choi was KCIA money, although it is more probable that Yang Doo Won regarded the money as his own.

There was no evidence that the money invested by Tongsun Park came from Korean Government sources, although it is noteworthy that at the time he made the investment, Park was acting as a KCIA agent in other respects. <sup>615</sup> Likewise, there was no evidence that the funds invested in the bank by the Moon Organization came from the Korean Government.

Until the true source of the cash used in these purchases is documented and it is known how the cash was brought into the United States, it will not be possible to make a definitive statement about whether or not the Moon Organization received aid and direction from the Korean Government in connection with its investment in the Diplomat National Bank.

Whether the Moon Organization did or did not invest in the bank in cooperation with the Korean Government, it was clear to the subcommittee that control over the bank was the Moon Organization's objective. It would have helped the organization keep currency "freely coming back and forth," in Moon's own words, without attracting the attention of neutral bank officers, and would have facilitated loans for business investments.

By early 1976, both the Moon Organization, through its investments and deposits, and to a lesser extent the Korean Government,

<sup>614</sup> Sworn statement of Charles Kim.

<sup>615</sup> Kim Sang Keun, KCIA officer at the Korean Embassy, was instructed to teach Park how to transmit intelligence reports to Seoul for the KCIA. This operation lasted only 1 month, in August and September 1975. The details are set forth in House Committee on Standards of Official Conduct Hearings, October 1977.

through its control over correspondent banking relationships, were in a position to influence the future course of the Diplomat National Bank. Adverse publicity beginning in the spring of 1976 interrupted whatever plans either the Government or the Moon Organization might have had to use and control the bank. Since then, the Moon Organization has been preoccupied with explaining its investment and the sources of funds to investigating authorities, and minimizing the adverse publicity arising from its attempt to gain control of an American bank.

### *Conclusions and Recommendations*

The subcommittee findings regarding the Moon Organization may be summarized as follows:

(1) The UC and numerous other religious and secular organizations headed by Sun Myung Moon constitute essentially one international organization. This organization depends heavily upon the interchangeability of its components and upon its ability to move personnel and financial assets freely across international boundaries and between businesses and nonprofit organizations.

(2) The Moon Organization attempts to achieve goals outlined by Sun Myung Moon, who has substantial control over the economic, political, and spiritual activities undertaken by the organization in pursuit of those goals.

(3) Among the goals of the Moon Organization is the establishment of a worldwide government in which the separation of church and state would be abolished and which would be governed by Moon and his followers.

(4) In pursuit of this and other goals, the Moon Organization has attempted, with varying degrees of success, to gain control over or establish business and other secular institutions in the United States and elsewhere, and has engaged in political activities in the United States. Some of these activities were undertaken to benefit the ROK Government or otherwise to influence U.S. foreign policy.

(5) While pursuing its own goals, the Moon Organization promoted the interests of the ROK Government, and at times did so in cooperation with, or at the direction of, ROK agencies and officials. The Moon Organization maintained mutually beneficial ties with a number of Korean officials.

(6) The Moon Organization established the KCFF ostensibly as a nonprofit foundation to promote Korean-American relations, but used the KCFF to promote its own political and economic interests and those of the ROK Government.

(7) The Moon Organization extensively used the names of Senators, Congressmen, U.S. Presidents, and other prominent Americans to raise funds and to create political influence for itself and the ROK Government.

(8) A Moon Organization business is an important defense contractor in Korea. It is involved in the production of M-16 rifles, anti-aircraft guns, and other weapons.

(9) Moon Organization agents attempted to obtain permission from an American corporation to export M-16's manufactured in Korea. The M-16's are manufactured under a coproduction

agreement approved by the U.S. Government, which puts M-16 production under the exclusive control of the Korean Government. Despite this, Moon Organization representatives appeared—apparently on behalf of the Korean Government—to negotiate an extension of the agreement.

(10) The Moon Organization attempted to obtain a controlling interest in the Diplomat National Bank by disguising the source of funds used to purchase stock in the names of UC members.

(12) The Moon Organization used church and other tax-exempt components in support of its political and economic activities.

(13) Although many of the goals and activities of the Moon Organization were legitimate and lawful, there was evidence that it had systematically violated U.S. tax, immigration, banking, currency, and Foreign Agents Registration Act laws, as well as State and local laws relating to charity fraud, and that these violations were related to the organization's overall goals of gaining temporal power.

Despite the Moon Organization's cooperative relationship with the ROK Government the UC was far less influential as a religious movement in Korea than elsewhere. A large proportion of the hundreds of Koreans interviewed in the course of the investigation said that they had never heard of Moon or the UC until the early or mid-1970's, when their activities became widely publicized. In the United States, the UC appears to have had little success in attracting followers from the Korean community. Most Korean-Americans interviewed expressed varying degrees of embarrassment or hostility toward Moon and the UC; few saw them as a positive factor in Korean-American relations.

The subcommittee found that the Moon Organization has had a number of influential allies in the Korean Government, including Kim Jong Pil, Pak Chong Kyu, and others.

Although investigations and publicity in the 1976-78 period appeared to have had an effect on the degree of influence Moon's supporters had with the Korean Government, there were continuing indications that the Moon Organization retained significant support.

Many of the activities of the Moon Organization would not raise questions of impropriety if carried out openly and without violations of laws. The subcommittee does not fault the many Americans, Koreans, and others who identified themselves with Moon Organization-sponsored activities such as the Little Angels, or who shared the Moon Organization's expressed concerns about communism and South Korean security.

However, the Moon Organization's ulterior motives behind even its most benign activities tended to negate its positive contributions. For example, the Little Angels, a highly accomplished children's dance group, undoubtedly improved the image of Koreans around the world and in particular contributed to Americans' understanding of Korean culture. The Korean Government's decision to bar the Little Angels from traveling outside Korea was a loss for Korean-American relations. The demise of the Little Angels as a touring group followed growing public awareness of its ties to

Moon, who—after founding and quietly backing the group—increasingly used it to further his political and economic goals. In his own speeches to followers, Moon made it clear that the Little Angels, the annual science conference, and other seemingly philanthropic projects were in reality geared toward his ambitious and carefully thought out plans for winning control and influence over political and other secular institutions.

Moon, like Tongsun Park, showed a keen understanding of the use of imagery in building political influence. Just as Tongsun Park used his close relationship with a few Congressmen to attract others, Moon used the names and pictures of prominent Americans, Japanese, Koreans, and others to create an image of power and respectability for himself and his movement. The multifaceted Moon Organization thereby obtained the help and cooperation of numerous Americans who had no idea they were contributing to Moon's plan for world theocracy.

Like Tongsun Park and others who conducted pro-ROK influence activities in the United States, Moon and his organization acted from a mixture of motives and objectives. Service to Korea was combined with a desire to advance personal and organizational goals. Like Tongsun Park and others, Moon and his organization attempted to gain influence in Seoul through activities in the United States; to this end, the Moon Organization exaggerated its successes in the United States to create influence in Korea and elsewhere. Thus, although the Moon Organization often acted for the ROK Government—even to the point of accepting money for its services—control and influence over Korean political institutions was no less a goal there than in the United States. In this respect, the Moon Organization was not an agent of influence for the ROK Government so much as it was a volatile factor in Korean-American relations, capable of distorting the perceptions each country held of the other.

In the United States, for example, Moon has aroused widespread antipathy. To the extent that his organization's activities here are associated with Korea or the Korean Government, there is potential harm to Korean-American relations. Recent attempts by the ROK Government to dissociate itself from Moon seemed to recognize this problem. However, these attempts at dissociation came only in the context of a public controversy over Moon, investigations into Korean influence activities, and strained relations between the two countries.

The misuse of the names of prominent Americans by the KCFF was of concern to U.S. Government agencies as early as 1966. Much of the executive branch's early awareness of Korean influence activities in the United States—including those of Tongsun Park—arose from State Department and congressional inquiries into KCFF publicity and fundraising activities. However, these activities were not then perceived to be linked to Moon. Later, when Moon's activities generated publicity in the United States, there were numerous requests to the executive branch, as well as to the Congress and to State and local authorities, for information about Moon and for investigations of his organizations' activities. The response to these inquiries was fragmented. Numerous investigations were launched by agencies such as the SEC, INS, and Depart-

ment of Justice which involved one or another component of the Moon Organization. The subcommittee's investigation led it to conclude that these investigations were justified and should continue. However, the subcommittee believes that these investigations will be inconclusive and redundant unless they are coordinated with one another and treated as an investigation of essentially one organization. The subcommittee concludes that the following objective could be met by combining investigative activities related to the Moon Organization into an interagency task force:

(1) Consideration could be given as to whether apparently unrelated immigration, FARA, currency, banking, and other violations were in furtherance of a common scheme or plan.

(2) All existing information bearing upon the same subjects could be brought together and analyzed; earlier investigations which failed to do this allowed improper influence activities to continue until they caused a major public scandal affecting Korean-American relations.

(3) Maximum resources could be employed toward tracing cash and obtaining evidence from outside the United States.

(4) Tax money could be saved by combining related investigations and eliminating duplication of effort.

#### *Executive branch task force*

(1) The Department of Justice, the SEC, the IRS, and other executive branch agencies currently investigating allegations relating to Sun Myung Moon, Pak Bo Hi, the UC, the KCCF, and other individuals and organizations comprising the Moon Organization (as described in this report) should coordinate their efforts and form an interagency task force.

(2) In addition to continuing present investigations, the task force should address itself to the following issues:

(a) Whether there have been systematic and planned violations of U.S. immigration laws and regulations in connection with the importation of large numbers of foreign nationals for purposes of fundraising, political activities, and employment in the Moon Organization business enterprises.

(b) Whether there have been systematic and planned violations of U.S. currency and foreign exchange laws in connection with the movement of millions of dollars of cash and other financial assets into and out of the United States without complying with appropriate reporting requirements.

(c) Whether U.S. tax laws have been violated through large cash transfers to individuals which were characterized as loans.

(d) Whether tax-exempt organizations such as the Unification Church, Freedom Leadership Foundation, Korean Cultural and Freedom Foundation, and International Cultural Foundation, have engaged in political, business, and other activities inconsistent with their tax-exempt status; and whether these organizations are so closely affiliated with each other and with non-tax-exempt businesses and organizations so as to render them ineligible for tax-exempt status.

(e) Whether there have been systematic violations of the Foreign Agents Registration Act by the Moon Organization.

(f) Whether there have been violations of currency, immigration, banking, and tax laws in connection with Moon Organization investments in the Diplomat National Bank and other businesses in the United States.

(g) Whether there have been instances of charity fraud, violations of currency and immigration laws, and abuse of tax-exempt status in connection with the Moon Organization's control over the Korean Cultural and Freedom Foundation.

(h) Whether there have been attempts to violate, or violations of, the Arms Export Control Act in connection with the manufacture, sale, or attempted sale of M-16 rifles or other armaments by agents of the Moon Organization.

(3) The task force should use the resources of the following agencies:

Department of Justice (including the FBI, Anti-Trust Division, and INS);

Department of Treasury;

Securities and Exchange Commission;

Federal Reserve Board;

Internal Revenue Service; and

Department of State.

(4) The Department of State should assist the task force in attempting to obtain witnesses, financial data, and other cooperation from foreign governments, particularly Japan and South Korea.

(5) The task force should seek information from appropriate State and local governments and should make information available to State and local governments for use in appropriate proceedings involving enforcement of their laws.

The subcommittee also recommends that appropriate committees of the Congress review certain information pertaining to the Moon Organization. Current U.S. tax laws and regulations made it impractical for the subcommittee to examine the tax returns of such Moon Organization components as the Unification Church International, which was denied tax-exempt status by the IRS. However, there is reason to believe that taxable Moon Organization components derive tax advantages from transfers to tax-exempt components. Since both taxable and tax-exempt organizations are used interchangeably in the Moon Organization, such tax advantages would enable the Moon Organization to pyramid economic power and achieve a substantial advantage over competing organizations. The subcommittee therefore suggests a review by the House Ways and Means Committee and the Senate Finance Committee—which have access to tax returns—to determine whether transfers of funds within the Moon Organization raise issues which point to the need for legislation to prevent the abuse of tax-exempt status. More specifically, the subcommittee recommends that the House Ways and Means Committee and the Senate Finance Committee review the applications for tax-exempt status (where applicable) and the tax returns of Moon Organization entities, including:

Unification Church; Freedom Leadership Foundation; Unification Church International; International Cultural Foundation; Korean Cultural and Freedom Foundation; Tong-Il Enterprises; One-Way Productions; International Oceanic Enterprises; and News World Communications.

and determine whether:

- (a) Income from abroad is properly reported.
- (b) Deductions are taken by businesses for charitable contributions to tax-exempt organizations, the actual control of which is in the hands of the same persons and organizations in control of the businesses.
- (c) New legislation or regulations are needed to prevent tax avoidance and pyramiding of economic power by means of recycling funds through an international organization, part of which is tax-exempt.

The subcommittee has also referred its findings to the Armed Services and Intelligence Committees of the House and Senate, and to the Munitions Control Board of the State Department, with the suggestion that more precise information be obtained about the Moon Organization's role as a Korean defense contractor. During the investigation, the subcommittee found it very difficult to obtain reliable information about the extent to which Moon industries were involved in weapons production and sales. The Moon Organization has self-proclaimed goals of controlling political and secular institutions and a strident ideology which envisions the formation of a "Unification Crusade Army." Moon's speeches foresee an apocalyptic confrontation involving the United States, Russia, China, Japan, and North and South Korea, in which the Moon Organization would play a key role. Under these circumstances, the subcommittee believes it is in the interest of the United States to know what control Moon and his followers have over instruments of war and to what extent they are in a position to influence Korean defense policies.

Of particular concern is the Moon Organization's involvement in the production and sale of M-16 rifles and other weapons provided to Korea under U.S. aid programs and subject to the Arms Export Control Act. In late 1977, Moon Organization representatives tried to renegotiate a coproduction agreement between Colt Industries and the ROK Government. The circumstances suggested they were secret envoys of the Korean Government which, under the coproduction agreement, has exclusive control over M-16 production. Although the ROK Government said it wanted to produce 300,000 extra M-16's because of the need to equip its own forces. Moon Organization representatives tried to get Colt's agreement to export guns to third countries.

The subcommittee therefore recommends:

That the House International Relations Committee, the House Armed Services Committee, and the corresponding committee of the Senate ascertain whether businesses operated by the Moon Organization are engaging in the production or sale of armaments supplied to the ROK Government through U.S. military aid programs, including coproduction agreements. Information about the role played by Moon Organization industries in Korean defense production should be sought from the appropriate U.S. defense and intelligence agencies.

## VI. INTERNATIONAL AGREEMENTS BETWEEN THE UNITED STATES AND THE REPUBLIC OF KOREA

One of the allegations prompting the subcommittee's investigation was that the United States had concluded several agreements with the Republic of Korea which were not reported to Congress.<sup>1</sup> This information came from a 1976 GAO report entitled "U.S. Agreements with the Republic of Korea."<sup>2</sup>

The issue that significant international agreements had been made by the executive branch without congressional awareness was first examined in detail in hearings held in 1970 by the Subcommittee on Security Agreements and Commitments Abroad of the Senate Committee on Foreign Relations. One of the agreements discussed was the 1966 Brown memorandum, a letter from U.S. Ambassador Winthrop Brown to Korean Minister of Foreign Affairs Lee Tong Won outlining the various types of economic and military assistance the U.S. would provide as compensation for Korea's participation in the Vietnam war. The executive branch had not informed Congress of the Brown commitments, which amounted to \$927 million between 1966 and 1970.<sup>3</sup>

The disclosures led Senator Clifford P. Case to introduce a bill, passed in August 1972 (Public Law 92-403), requiring the Secretary of State (through the Office of Treaty Affairs) to transmit the text of all international agreements other than treaties to the House Committee on International Relations and the Senate Committee on Foreign Relations not later than 60 days after going into force. Agreements involving national security are to be transmitted under an injunction of secrecy.<sup>4</sup> The procedures established to implement this legislation give the executive branch official who negotiated the agreement responsibility for transmitting its text to the Office of Treaty Affairs at State. The Assistant Legal Adviser then has the task of determining which commitments made by the United States or its agencies constitute international agreements and then transmitting those agreements to the congressional committees.

In 1975, Senator Abourezk requested that GAO look at compliance with the Case Act. The country selected for study was Korea because a GAO team was preparing to go there at the time of the request. The study revealed that between 1972 and 1975, the United States and Korea had concluded 59 international agreements (as defined by GAO). State had been notified of 25, which it reported to Congress. The remaining 34, defined as "operating, implementing or agency-to-agency agreements," were never submitted to the State Department.<sup>5</sup>

<sup>1</sup> The report suggested that some of the international agreements not reported to Congress were sensitive intelligence agreements. In its investigation, the subcommittee was told that if such arrangements existed, they would be oral arrangements, not reduced to writing, and therefore would not be reported to Congress under the Case Act. The subcommittee, however, was unable to find any indications that such oral or written intelligence arrangements between the United States and Korea existed. Amendments to the Case Act currently before Congress address the issue of oral agreements and their reporting under the Act.

<sup>2</sup> Report of the Comptroller General of the United States (GAO), "U.S. Agreements with the Republic of Korea," Feb. 23, 1976.

<sup>3</sup> Senate Subcommittee on United States Security Agreements and Commitments Abroad, "Hearings Related to Korea," vol. II, Feb. 24, 25, and 26, 1970, pp. 1519-1768; Senate.

<sup>4</sup> Senate Committee on Foreign Relations, hearings, Oct. 20, 1971, p. 5; see also "Part C-IV: Economic Relations," p. 174, for more details on the Brown memorandum.

<sup>5</sup> Op. cit., 1976 GAO report, p. 12.

Most of the 34 unreported agreements were insignificant and need not have been reported to Congress, such as one to extend 8th Army rod and gun club privileges to Korean non-Status of Forces personnel. The GAO report noted, however, that these agreements still should have been forwarded to the Office of Treaty Affairs at State.

Eight of the 34 were identified by GAO as important because they involved substantial transfers of American money and equipment. Four dealt with the relocation of Korean troops from Vietnam to Korea and a transfer of \$37.6 million of U.S. equipment to South Korea. The four others addressed the closeout of the 1966 Brown memorandum in terms of payments to Korean soldiers and represented expenditures of \$365.3 million. Despite the significant costs of these eight agreements, the Defense Department had defined them as implementing agreements and did not forward them to the State Department.<sup>6</sup>

The 1976 GAO report on the Case Act also made reference to two agreements which preceded the law. One was the 1970 modernization plan, a \$1.5 billion program to modernize the Korean armed forces as compensation for the withdrawal of 20,000 U.S. troops from Korea. Defense and State Department officials did not consider the Modernization Plan as an international agreement because it did not constitute a formal U.S. commitment.<sup>7</sup> The second was the 1971 Textile Agreement, which included arrangements whereby the United States would provide Korea \$100 million in AID development loans and \$275 million in Public Law 480 assistance, both over a 5-year period. These arrangements were not identified to Congress as part of the Textile Agreement.<sup>8</sup> The GAO study said the Modernization Plan and the commitments attached to the Textile Agreement represented types of arrangements which Congress might wish to examine under the Case Act.

Since the publication of the 1976 GAO report, State has renewed its efforts to standardize executive branch reporting procedures. In March 1976, it circulated a statement giving the criteria for what constitutes an international agreement and reminding government officials of the reporting requirements of the Case Act. Five criteria were listed and elaborated on by State's Legal Adviser:

- (1) Intention of the parties to be bound in international law;
- (2) Significance of the arrangement;
- (3) Requisite specificity, including objective criteria for determining enforceability;
- (4) The necessity for two or more parties to the arrangement;
- (5) Form.<sup>9</sup>

The criteria statement is currently in use by the executive branch.

In 1976, representatives of the Office of Treaty Affairs began examining the files at the General Counsel's Office at the Department of Defense to make sure all defense agreements were reported to State. At the same time, the Commander in Chief of the Pacific Command (CINCPAC) instituted new procedures and guidelines for its subordinate commands to insure that they forwarded

<sup>6</sup> Op. cit., 1976 GAO report, pp. 14-15.

<sup>7</sup> Ibid.

<sup>8</sup> See "Part C-IV: Korean-American Economic Relations," pp. 191-196.

<sup>9</sup> "Digest of United States Practices in International Law 1976," September 1977, p. 265.

copies of all their agreements to CINCPAC headquarters and the Pentagon.

The 95th Congress itself showed an interest in increasing the effectiveness of the Case Act. In 1977, the law was amended to require executive branch agencies to inform State of all international agreements within 20 days of their being concluded.<sup>10</sup>

In 1978, the subcommittee met with representatives of GAO, State, Defense, and CINCPAC to ascertain if the problems detailed in the 1976 report had been corrected. All stated that agency reporting had improved and that as the reporting procedures became more widely known within the executive branch, reporting would continue to improve. Congressional aides responsible for Case Act compliance generally agreed with this assessment, though they did see late transmittals (reporting the text of international agreements to the committees after the 60-day deadline) as more of a problem than did executive branch officials.

As of 1978, Congress had before it several amendments to the Case Act, including putting oral agreements in writing for submission to Congress, requiring explanations for late transmittals, requiring approval by the Secretary of State or the President before beginning negotiations, designating the Secretary of State as the final authority in determining what constitutes an international agreement, and requiring the President to issue orders that all executive branch agencies comply with the Case Act.

The 1976 GAO report accurately identified the haphazard reporting of agreements by executive branch agencies to State as the major difficulty in achieving compliance with the Case Act. These problems are in the process of being eliminated by the new procedures within the executive branch and by amendments to the Case Act before Congress.<sup>11</sup>

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<sup>10</sup> This provision was added to the Case Act as a floor amendment to the State Department supplemental authorization of 1977 on May 11 by the Senate and was accepted in conference. It was enacted June 15, 1977.

<sup>11</sup> Senate Committee on Foreign Relations, Foreign Relations Authorization Act, Fiscal Year 1979, Report of the Committee on Foreign Relations, U.S. Senate together with additional views, S. 3076, May 15, 1977, pp. 45-50. Subsequent to the writing of this report, these amendments were adopted with certain modifications.

## VII. IMMIGRATION AND NATURALIZATION SERVICE ISSUES

The subcommittee became aware of a number of cases in which Koreans encountered considerable difficulty dealing with the Immigration and Naturalization Service (INS). These individuals could not return safely to Korea because of their opposition to the Yushin system and consequently had applied for permanent resident status or political asylum in the United States.

## SECTION 13(C) CASES

Section 13 of the act of September 11, 1957,<sup>1</sup> authorizes the Attorney General to approve permanent resident status for certain foreign diplomats (not more than 50 in any year) assigned to the United States, unless either House of Congress disapproves the application within two sessions of Congress. The relevant part of section 13(c) reads:

\* \* \* A complete and detailed statement of the facts and pertinent provisions of law in the case shall be reported to the Congress with the reasons for such adjustment of status \* \* \*

To apply for permanent resident status, a foreign diplomat must have terminated his position with the foreign government he was representing. He must fill out an INS form, have a complete medical examination, and give a sworn statement to INS officials containing his reasons for not wanting to return to his country of origin. If INS approves the application, it then provides Congress with an order (usually one page which does not contain detailed information or the sworn statement) for permanent resident status.

The subcommittee became interested in the 13(c) process because several individuals who had been helpful to the investigation and their families had been denied permanent resident status by the House of Representatives. In each case, the petitioners had fulfilled all of the INS requirements and INS had approved their requests and submitted their forms to Congress.

Three cases of former Korean diplomats are described below.

*Case No. 1: Lee Jai Hyon*

As previously noted, Lee Jai Hyon had served as chief cultural and informational attaché at the Korean Embassy in Washington, D.C. In the spring of 1973, he attended Embassy meetings at which the KCIA station chief described a KCIA plan for clandestine operations in the United States.<sup>2</sup> Lee was unwilling to assist in implementation of the plans and in KCIA efforts to force a former subordinate of his, Hyohk Hoon Han, to return to Seoul. In subsequent months, Lee found himself a target of KCIA displeasure. His loyalty was questioned; he and his family were placed under surveillance; he was interrogated by the KCIA; and it was suggested that he return to Seoul for discussions. Lee resigned from the Embassy in June 1973, and applied for permanent resident status for himself, his wife, and four children. In June 1975, Lee testified before the subcommittee regarding KCIA plans for clandestine operations in this country and about payments to Congress by Korean Ambassador Kim Dong Jo. In October 1977, he testified

<sup>1</sup> 71 Stat. 642-643.

<sup>2</sup> See "Part C-II: Intelligence Activities and Plans," p. 106ff.

before the House Committee on Standards of Official Conduct about Kim Dong Jo's activities.

On May 29, 1975, INS adjusted the status of Lee and his family to that of lawful permanent residents of the United States. However, in September 1976, the House of Representatives disapproved their status because the information INS had submitted was inadequate. To date, Lee and his family have been unable to obtain permanent resident status.

*Case No. 2: Hyohk Hoon Han*

Hyohk Hoon Han was Lee Jai Hyon's subordinate at the Korean Embassy. He said he resigned his embassy position in May 1973 because he was unwilling to work for the Korean Government under the Yushin system. Following his resignation, Han was the target of KCIA efforts to force him to return to Korea. Lee Jai Hyon told the subcommittee that Han would have been in danger had he returned.

Han and his family applied for permanent resident status in June 1974. The INS approved the adjustment of status on February 23, 1976. The applications were rejected by the House of Representatives because INS failed to provide adequate information. To date, the Hans have not received permanent resident status.

*Case No. 3: Sung-Han Kim*

From 1950 to 1967, Kim worked with the U.S. military in Korea as a translator and liaison officer on active duty with the Korean Army. He also worked with U.S. military intelligence. From 1967 to 1973, he was a journalist in Korea, but with the adoption of the Yushin system, he said he felt unable to function as a journalist and accepted a diplomatic post with assignment in the United States. Kim served as a diplomatic officer in the Cultural and Information Section of the Korean Embassy from 1973 to 1975. At that time, he was ordered transferred to Manila but refused to go and resigned. In April 1975, he and his family applied for permanent resident status. Since then, Kim has worked as an escort and translator for the State Department. He has continued to express opposition to the ROK Government.

INS approved Kim's adjustment of status in January 1976. On October 12, 1977, the House of Representatives disapproved it because INS had not provided adequate information. To date, Kim and his family have not obtained permanent resident status.

*Two additional cases*

There were two other cases of special interest to the subcommittee because they also involved individuals who remained in the United States and have given valuable assistance to the U.S. Government. Both were former KCIA officials who, if they were to return to Korea, would clearly be in grave danger. In these instances, the INS apparently did not even notify the applicants of the possibility of a section 13(c) adjustment of status, although they appeared to be typical cases.

Kim Sang Keun was a KCIA official stationed in Washington, D.C., from 1970 to 1976. He was responsible during much of that time for Korean resident affairs. In the midst of the revelations

about the Korean scandal in the fall of 1976, his relationship with Hancho Kim and Tongsun Park was revealed in the press and at the same time the ROK Ambassador Hahm Pyong Choon informed him that he would have to take responsibility for the scandal by going to prison in Seoul. He decided to seek the protection of the U.S. Government and cooperate with the investigations. He provided valuable testimony for the Department of Justice which led to the conviction of Hancho Kim. He was also a valuable witness for the House Committee on Standards of Official Conduct and for this subcommittee. At the time of this report, the immigration status of Kim Sang Keun and his family is still uncertain and depends on his finding a job which will qualify him for third or sixth preference.<sup>3</sup>

Sohn Ho Young was a KCIA official stationed first in Houston and later in New York. He was involved in the unsuccessful attempts to persuade former KCIA director Kim Hyung Wook not to testify before the subcommittee. He became disillusioned by the negotiations in which the ROK Government seemed genuinely to fear Kim Hyung Wook's threat to reveal matters of personal scandal relating to high Korean officials. He was also afraid he would be blamed for the failure to prevent Kim from testifying. Consequently, Sohn sought the protection of the U.S. Government through this subcommittee. His cooperation and testimony, especially his verification of the "1976 KCIA Plan for Operations in the United States," were very helpful to the subcommittee.

An INS official who had interviewed one of these applicants stated that he had not avoided recommending application under 13(c) because of the current dispute between the Judiciary Committee and the INS (see below) over the correct information required by law for a section 13(c) application. Rather, in recommending how to apply for permanent resident status, he uses the likelihood of successful application as one of his criteria. He claimed that the recent history of the 13(c) applications made it seem disadvantageous.

#### THE SECTION 13(C) PROBLEM

The disposition of those three cases were typical of a broader pattern of rejections by the House that affected over 70 individuals from a number of countries applying under section 13(c) for perma-

<sup>3</sup> The preference categories are defined by 8 U.S.C. 1153 as follows:

"§ 1153. *Allocation of immigrant visas—Categories of preference priorities; per centum limitations; conditional entries; waiting lists.*

"(a) Aliens who are subject to the numerical limitations specified in section 1151(a) of this title shall be allotted visas or their conditional entry authorized, as the case may be, as follows: \* \* \*

"(3) Visas shall next be made available, in a number not to exceed 10 per centum of the number specified in section 1151(a) (1) or (2) of this title, to qualified immigrants who are members of the professions, or who because of their exceptional ability in the sciences or the arts will substantially benefit prospectively the national economy, cultural interests, or welfare of the United States, and whose services in the professions, sciences or arts are sought by an employer in the United States. \* \* \*

"(6) Visas shall next be made available, in a number not to exceed 10 per centum of the number specified in section 1151(a) (1) or (2) of this title, to qualified immigrants who are capable of performing specified skilled or unskilled labor, not of a temporary or seasonal nature, for which a shortage of employable and willing persons exists in the United States. \* \* \*

nent resident status in 1975 and 1976. For example, all 46 applications for permanent resident status submitted to Congress between January 1975 and July 1975 were disapproved, in each case due to the inadequacy of the information provided by INS.

In a letter dated September 3, 1976, to Attorney General Edward Levi, Representative Joshua Eilberg, chairman of the House Judiciary's Subcommittee on Immigration, Citizenship, and International Law, noted that the reports submitted under section 13(c) were deficient "as to content, reliability of facts, and conformity to the original intent of Congress." Chairman Eilberg requested that the cases submitted in 1975 and 1976 be withdrawn and resubmitted with the necessary additional information.

On September 22, 1976, the Judiciary Committee issued a report<sup>4</sup> echoing Representative Eilberg's concerns:

\* \* \* The committee recalls that the purpose of this section as reflected in the legislative history, is to permit the adjustment of immigration status to a limited number (50) of foreign diplomats who for compelling reasons may find it impossible to return to the countries which accredited them to the United States (Report No. 1199, 1st Session—85th Congress).

Considering the information submitted to the Committee, it has been difficult to determine whether any of the cases under review satisfy the requirement that compelling reasons must exist which make it impossible for the applicant to return to the countries which accredited him to the United States.

The Committee has noted none of the cases submitted to the Congress were accompanied by a complete and detailed statement of facts as required under this section \* \* \* .

The report concluded by asking:

\* \* \* the Attorney General to reexamine them [the cases] under the relevant statutory criteria, the accompanying legislative history, and the administrative regulations promulgated under section 13(c) of the Act of September 11, 1957, and to resubmit those cases considered to be valid in the next Congress.

INS did not act on this request, and as a result, the House disapproved the submissions by H.R. 1555 adopted September 28, 1976. Similarly, INS took no remedial action on the 1976 submissions. The House therefore disapproved all applications for permanent resident status except for one family of four about whose situation they had sufficient independent information.

In a letter addressed to Chairman Eilberg, dated March 2, 1978, INS Commissioner Castillo set forth the INS interpretation of the requirements of section 13.

To establish eligibility for relief under section 13, an alien within the foregoing classes must satisfy the Attorney General (who consults with the Secretary of State) that (a) he is a person of good moral character, (b) he is admissible to the United States for permanent residence under the Immigration and Nationality Act, and (c) that his adjustment to resident would not be contrary to the national welfare, safety, or security.

There is no mention in section 13 of "compelling reasons" for being unable to return to the country of accreditation as a factor in either eligibility or the exercise of the Attorney General's discretion.

While legislative history may be helpful in construing ambiguous or doubtful provisions of law, where the statutory language is plain, as here, the need for interpretation does not arise. Further, administrative authorities generally should not read into a statute provisions which the legislature chose to omit. Particularly this is true where the statute is remedial in nature and the proposed interpretation would be restrictive.

<sup>4</sup> Report No. 94-1659.

### The Commissioner concluded:

Since my review has indicated that all Service-approved applications met the requirements of section 13, and in view of the disapproval of permanent residence for those aliens [by the House] \* \* \* I now intend to require the aliens' departure or other appropriate disposition in their cases, as mandated by section 13(c) of the 1957 Act.

Since that date, the Judiciary Subcommittee has been discussing the matter with INS and has held hearings. INS has not undertaken any remedial action on the cases as requested by the Judiciary Subcommittee.

### INVOLVEMENT OF THE SUBCOMMITTEE ON INTERNATIONAL ORGANIZATIONS

This subcommittee became aware of the situation in March 1978 and contacted INS. Officials initially expressed no concern about the matter, stating that INS had approved the applications and submitted to Congress the information required under section 13(c) and that Congress had improperly rejected them.

Following repeated expressions of concern by this subcommittee, staff members met with representatives of INS and staff of the Judiciary Subcommittee. INS agreed to undertake further efforts on behalf of the individuals who were rejected and to submit other reports to the Judiciary Subcommittee. None have been submitted to date. Furthermore, INS has refused to resubmit the disapproved section 13(c) applications for reconsideration, claiming that it lacks any legal basis to do so. The Judiciary Subcommittee stated that there was no legal support for INS' position, but to date neither the Judiciary Subcommittee nor this subcommittee has been able to convince INS to change its position.

An additional concern of the subcommittee was the indifferent treatment of these individuals by INS. The questions asked of the applicants in connection with their sworn statement were generally not as probing as they could have been, thus leaving out a great deal of the detailed information required by the Congress, including the "compelling reasons" for applying for permanent resident status. Up to the time when this subcommittee became involved, INS had failed to notify these individuals of the disapproval of their applications, leading them to believe their applications were proceeding satisfactorily and that in due course they would obtain permanent resident status. Since the subcommittee's involvement, the INS has shown greater interest in the cases of Lee Jai Hyon and Kim Sung Han, but as of 1978, Hyohk Hoon Han had received no notification of the rejection of his application other than that given him by the subcommittee.

Because of this indifference, the individuals have been suffering psychologically. Lacking a "green card,"<sup>5</sup> some 13(c) applicants have not been able to secure employment for which they are qualified and have had to accept work with lower salaries than they should be able to earn.

<sup>5</sup> A "green card" is provided aliens who have gotten permanent resident status and facilities obtaining employment.

STATUS ACQUIRED THROUGH PERSONAL WEALTH AND OTHER FACTORS

The disposition of the cases described above contrasted sharply with the disposition of applications of other Korean nationals who gained permanent resident status under sections of the immigration laws other than section 13. The subcommittee became aware that many Korean nationals, irrespective of past backgrounds and need for sanctuary, have obtained permanent resident status without difficulty on the basis of their capital investments in this country.

Former KCIA director Kim Hyung Wook moved to the United States in 1973 and settled in New Jersey. Kim was able to obtain permanent resident status for himself and his family with relative ease (although he was never employed in the United States). To assist Kim in his application for permanent resident status, one of his bankers informed INS that Kim had well over \$200,000 on deposit in the United States.<sup>6</sup> The subcommittee learned that Kim had brought millions of dollars out of Korea in violation of Korean currency laws, and that he had obtained most of his money while he was a public official in Korea.<sup>7</sup>

In 1974, another high-ranking KCIA official, Kim Ki Wan, moved to Los Angeles where he had earlier settled his family. Kim moved to United States shortly after the kidnaping of opposition leader Kim Dae Jung from a hotel room in Tokyo.<sup>8</sup> The subcommittee received information implicating Kim Ki Wan (who was KCIA station chief in Tokyo at the time) in the kidnaping;<sup>9</sup> this information confirmed widespread suspicions in Japan that the KCIA had been involved in the kidnaping. Kim's residence in the United States enabled him to avoid providing information to Japanese authorities investigating the case.

In addition the subcommittee learned that Kim Ki Wan served the KCIA as a "black agent,"<sup>10</sup> whose mission was to establish liaison with a third country intelligence agency operating in the United States. Despite Kim's highly questionable background, he and his family obtained permanent resident status apparently based in part on Kim's private holdings in the United States. Investigation showed that when Kim settled in the United States in 1974, his assets here totaled nearly \$1 million and that he later brought in additional funds from abroad. The subcommittee could not verify the source for this money, which seemed to have been acquired while Kim was a KCIA official.<sup>11</sup>

Many Koreans interviewed by the staff felt resentment toward former Korean Government officials like Kim Hyung Wook, Kim Ki Wan, and others who acquired fortunes while in office and then transferred their holdings to the United States. The fortunes these

<sup>6</sup> Letter from Chase Manhattan Bank to the INS, September 1973.

<sup>7</sup> See appendix C-311.

<sup>8</sup> See "Part B: Review of Korean-American Relations," p. 42.

<sup>9</sup> "Investigation of Korean-American Relations," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 95th Cong., 1st sess., Part 1, June 22, 1977 (hereinafter referred to as "KI-1"), p. 39-42, and Subcommittee staff interviews.

<sup>10</sup> A covertly controlled agent.

<sup>11</sup> By 1978, Kim Ki Wan's assets in this country included five pieces of real estate in the Los Angeles area—two homes, two condominiums, and a 16-acre tract of ocean-front property in Malibu; and four automobiles—a Mercedes, a Porsche, a Volvo, and a Cadillac. Between January 1974 and December 1976 Kim had brought over \$2 million into the United States from abroad.

officials were able to acquire and bring to the United States through questionable means, helped them acquire permanent resident status without the problems and delays experienced by many other Koreans. Ironically, these former KCIA officials, with indications of corrupt or criminal conduct in their backgrounds, achieved resident status ahead of persons who could not return to Korea for fear of KCIA harassment.

Another Korean who obtained resident status with relative ease was Sun Myung Moon. Moon received his green card on the basis of his wife's having established residency earlier; she in turn achieved her status by being listed as an employee of the Korean Cultural and Freedom Foundation, which was controlled and used by the Moon Organization.<sup>12</sup> Once in the United States, Moon brought hundreds of aliens into the country to do fundraising and other work in violation of their visa status.<sup>13</sup> Moon's apparent ability to flaunt INS regulations with impunity, and to use his organization's resources in the United States to obtain resident status for himself, can also be contrasted with the difficulties encountered by other Koreans, whose return to Korea would have placed them in great jeopardy.

#### POLITICAL ASYLUM CASES

In order to apply for political asylum in the United States, an individual must submit an application to INS and provide documentation to prove that he has been or would be persecuted if deported to his country of origin.

After reviewing the application and documentation, INS can (1) grant asylum outright, (2) classify the application as "doubtful," or (3) claim that the application is clearly without merit. In the first instance, INS simply informs the Department of State of its intention to grant political asylum, giving DOS a chance to respond. In the second, the INS sends its information to DOS for an advisory opinion. In the last case, the INS report is sent to DOS and unless DOS disagrees within 30 days, INS commences deportation proceedings.

A grant of political asylum does not result in approval of permanent resident status; it must be obtained by separate application. In contrast to the section 13(c) process, Congress has no input in political asylum cases.

The subcommittee became involved in a case which fell within the second category of INS political asylum applications. Sunnam Chang and his wife, Jin Ok Chang, two actively anti-Park Koreans living in Washington, D.C., applied for political asylum. Jin Ok Chang had been admitted to the United States in October 1969 under a B-1 (business) visa to serve as a Korean language instructor for the Peace Corps. In 1972, she married Sunnam Chang, a Korean in the United States under an F-1 (student) visa. When the Yushin system was established in Korea in 1972, the Changs spoke out against ROK Government repression. Mr. Chang founded an anti-Park Korean-language newspaper in Arlington, Va., called the

<sup>12</sup> See the "Moon Organization" in "Part C-V: Educational, Informational, and Cultural Activities," p. 344-46.

<sup>13</sup> *Ibid.*

Free Republic. Both he and Mrs. Chang participated in demonstrations against the Park regime held in Washington between 1972 and 1977.

By 1974, the Changs had become targets of KCIA surveillance and harassment.<sup>14</sup> In 1974 and 1975, the Changs received anonymous phone calls warning them of physical harm and threatening that their child would be killed if they did not stop their anti-Park activities. Around the same time, Mrs. Chang's brother was arrested in Korea for anti-Park activities; he was imprisoned and tortured. Mr. Chang, fearing for his family's safety should they be forced to return to Korea, petitioned the INS for political asylum for himself and his family on July 12, 1974.

It was not until April 1975 that INS requested an advisory opinion on the matter from the Department of State, and not until July 27, 1977, that State replied. State did not address the question of political asylum directly. In its letter to INS, State said it was unable to substantiate Mr. Chang's fear of persecution; however, "we have some doubts regarding this case. We therefore believe it appropriate to err on his side and recommend that Mr. Chang not be forcibly returned to Korea at this time."<sup>15</sup> Seven days later, INS sent the Changs a form letter denying asylum, apparently because the Department of State had not used the term "political asylum" in its recommendation. The INS ordered the Changs to depart from the United States within 20 days. Because Mr. Chang was hospitalized with a serious illness at the time of the denial, INS decided not to deport the family for 1 year. Two months later, in October 1977, Mr. Chang died.

Meanwhile, an August Washington Post article about the Changs' difficulty in obtaining asylum prompted subcommittee staff to contact Mrs. Chang. Even with subcommittee assistance, Mrs. Chang received ambiguous and inconsistent advice from several INS officials. She finally turned to an attorney for help. In April 1978, she filed a second petition for political asylum. A legal memorandum submitted in support of the petition questioned the legal basis for the INS denial of the original petition. In June 1978, the INS granted her application. That same month, Mrs. Chang began the separate process of applying for permanent residency. As of this writing, it appeared permanent residency was 2 years away.

It is the stated policy of the State Department to review applications for political asylum on an individual basis. However, an article published in the April 1977 issue of Nation magazine concluded that petitions for asylum by individuals from Communist countries are usually approved automatically, while those from right-wing dictatorships are rarely successful.<sup>16</sup> The asylum case of the Changs appeared to fit this pattern.

<sup>14</sup> Mr. Chang was among seven Korean residents in Washington whose activities the KCIA instructed its Washington station to monitor in 1974 (from testimony by a former KCIA official before the House Committee on Standards of Official Conduct, "Korean Influence Investigation," pt. 1, Oct. 20, 1977; pp. 52-54, 63.) This testimony was made subsequent to the decision by INS to deny political asylum to Mr. Chang.

<sup>15</sup> Letter stating the advisory opinion of the Department of State to the Immigration and Naturalization Service, dated July 21, 1977.

<sup>16</sup> Hanson, Christopher, "Not for Victims of Our 'Friends,'" Nation, Apr. 30, 1977, pp. 527-530.

In its response to INS, which was delayed over 2 years, the State Department failed to consider the extraordinary problem of KCIA harassment of anti-Park Koreans in this country, a problem which in 1973 had led the State Department to request that the Korean Embassy transfer the KCIA station chief out of the United States. Indeed, the State Department, in its letter of July 27, 1977, stated that it had no reports of Koreans outside Korea being persecuted because of political beliefs. Nowhere did State address the fact that severe suppression of dissent within Korea acted as a deterrent to repatriation by anti-Park Koreans. At best, this omission reflected ignorance on the part of the State Department's Office of Refugee and Migration Affairs. Essentially, State was avoiding acknowledging the human rights problem in Korea. INS also failed to take into account the severity of the Changs' concern and even rejected State's recommendation that the Changs not be forcibly returned to Korea.

As with the section 13(c) cases, the delay and uncertainty caused needless additional anxiety to people who sought sanctuary in this country because of their exercise of legitimate dissent. The subcommittee urges the State Department and INS to consider carefully all relevant factors in these and similar cases in the future.

#### CONCLUSIONS AND RECOMMENDATIONS

The subcommittee recognized that many of the delays and inequities discussed above were the result of INS' limited resources, which precluded it from conducting prompt in-depth investigations of all cases. However, other problems—such as those in the 13(c) cases—could have been solved or alleviated simply through better cooperation between the INS and its congressional oversight committee. The subcommittee also saw the need for legislative remedies for some of the fundamental inequities arising from the INS statutes and regulations and the manner in which they are enforced. Accordingly, this report has been referred to the House and Senate Judiciary Committees with the recommendation that they conduct a review of U.S. immigration laws.

The subcommittee specifically recommends that the committees:

(1) Consider legislation to amend 13(c) so as to clarify the responsibilities of INS and the Congress in passing upon the applications of foreign diplomats for permanent resident status.

(2) Review existing immigration laws and procedures to determine whether they are unnecessary, enabling persons who have acquired wealth through questionable means to obtain resident status ahead of persons with meritorious claims to such status.

(3) Evaluate the ability of the INS—under current laws and procedures—to cope with organized attempts to import aliens for unlawful purposes.<sup>17</sup>

<sup>17</sup> See the "Moon Organization" in "Part C-V: Educational, Informational, and Cultural Activities," p. 334-336.

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## **PART D**

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### **SPECIAL PROBLEMS IN THE CONDUCT OF THE INVESTIGATION**

In conducting the investigation, the subcommittee encountered various problems which slowed or otherwise affected the work. With a few exceptions, the outcome of the investigation was not changed as a result. In the following descriptions of the problems, the subcommittee has made recommendations which, if acted upon, could assist future investigations.

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## I. ATTITUDE OF THE KOREAN GOVERNMENT

Shortly before the subcommittee staff left for an important investigative mission to South Korea, Pak Tong-chin, South Korea's Foreign Minister, was quoted by the Korean news service Haptong as saying " \* \* \* it is beyond common sense for the Fraser panel to send so-called investigators to a sovereign state for the purpose of probing into groundless and non-existent stories.<sup>1</sup> The same article reported on a request by Choe Yong-hui, Chairman of the Foreign Affairs Committee of the National Assembly, that the Government—

Take appropriate actions to prevent Rep. Fraser from using any findings from the upcoming investigation by his committee's staff investigators for his anti-Korean activities, so that they may not hinder the friendly relations between the two countries.

In general, the above statements characterized the Government's attitude toward this investigation: Denying any wrongdoing and attacking the motives of the subcommittee chairman. Chairman Fraser and, through him, the investigation were continually criticized by the Korean press (often reflecting the feelings of the Government) as being "anti-Korean" and therefore incapable of conducting a fair inquiry. Nevertheless, throughout the investigation, the subcommittee sought the Government's cooperation. During public hearings in November 1977, Chairman Fraser made the following request:

You can greatly assist your ally and the mutual interests of the people of South Korea and the United States by lending your cooperation to the investigation of Korean-American relations.<sup>2</sup>

The Korean Government early indicated its intent not to cooperate. In July 1977, when subcommittee staff attempted to speak with a U.S. citizen employed at the Embassy in Washington, D.C., the Embassy protested to both the Department of State and the subcommittee. Realizing that similar problems might arise, the subcommittee asked the Embassy for an opportunity to meet with the Ambassador to establish procedures for obtaining information from the Korean Government. The Embassy refused.

Perhaps the most obvious show of contempt occurred prior to and during the December 1977 staff visit to Seoul. In August 1977, subcommittee staff obtained visas from the South Korean Embassy, after having briefed the Embassy as to the purposes of the trip. In November 1977, the subcommittee provided the Embassy with a list of the Koreans with whom interviews were desired. The list was also provided to the Department of State for transmittal to the U.S. Embassy in Seoul. According to the Haptong article dated

<sup>1</sup> Haptong News Service release, Seoul, Dec. 6, 1977, published translation by Foreign Broadcast Information Service.

<sup>2</sup> Investigation of Korean-American Relations," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 95th Cong., 1st sess., Part 3, Nov. 29 and 30, 1977, p. 103.

December 6, 1977 referred to earlier, the Foreign Minister, in response to a question as to why the visas had been issued, said: "they never stated their purpose of visit as investigation in their application for visas and therefore, [we] permitted their entry in accordance with the bilateral diplomatic pact." In addition, he said, "I have no knowledge of the scheme, investigation, nor have I known of even the existence of such one."

The Foreign Minister's remarks may have been attributable to calls in the Korean National Assembly for his removal for having issued the visas. However, such statements increased the antagonism of the Korean press, people, and Government toward the staff delegation and made it virtually impossible for them to interview Koreans. This was true for all Koreans on the subcommittee's list. One potential interviewee told the staff that he had to decline the interview on orders from his Government.

The lack of cooperation continued into 1978. On January 28, the Seoul radio report quoted Korean Ambassador to the United States Kim Yong Shik stating: "should Park Tong-sun testify before Congress, he would do so before the House Ethics Committee only, not before other committees, including the Fraser committee."<sup>3</sup> Shortly thereafter, the Ambassador asked the House leadership for assurances that the subcommittee would not question Park. Realizing that the situation might jeopardize the investigation of the House Committee on Standards of Official Conduct, Chairman Fraser agreed. The subcommittee was able to question Tongsun Park during his second trip to the United States, but only after agreeing that he would neither be subpoenaed nor questioned under oath.

The reason the Korean Government did not want the subcommittee to question Park was never explained. Presumably it was because the subcommittee's investigation had a broader mandate than that of the ethics committees and might have implicated other Korean officials. In fact, Park refused during staff interviews to identify Korean officials who had received rice commission money from him. He stated that to do so would endanger his livelihood.

On January 11, 1978, Chairman Fraser wrote to the Korean Ambassador and requested, in part:

We would like to offer an opportunity for the Government of the Republic of Korea to contribute to \* \* \* hearings either by submitting a written statement to the Subcommittee, as was submitted by the Embassy to this subcommittee and the Subcommittee on Asian and Pacific Affairs on July 30, 1974; or by suggesting a suitable witness to testify who would be familiar with concerns and interests of your government during the period 1968-1972.<sup>4</sup>

Ambassador Kim Yong Shik's reply, dated February 24, 1978, stated:

\* \* \* I wish to inform you that my government has no plan to submit a written statement or suggest a witness for the hearings at this time. However, we would not consider it inappropriate to express our views in these matters should it be necessary in the future.<sup>5</sup>

<sup>3</sup> Seoul Domestic Service broadcast of Jan. 28, 1978, published translation by Foreign Broadcast Information Service.

<sup>4</sup> Letter from Hon. Donald M. Fraser, chairman, Subcommittee on International Organizations, to Kim Yong Shik, Ambassador of the Republic of Korea, dated Jan. 11, 1978.

<sup>5</sup> Letter from Kim Yong Shik, Ambassador of the Republic of Korea, to Hon. Donald M. Fraser, chairman, Subcommittee on International Organizations, dated Feb. 24, 1978.

The Government did express its views later, by denouncing the findings of the hearings as false. At no time did the Korean Government alter its attitude of hostile noncooperation.

## II. THE JAPANESE ATTITUDE TOWARD THE INVESTIGATION

Geographical proximity has resulted in a long history of interaction between Japan and Korea, both hostile and friendly. Japan also has been a major factor in relations between the United States and the Republic of Korea, and normal relations between the two has been a high priority of U.S. foreign policy. A major consideration in America's commitment to defend South Korea has been Japan's security. In recent years, Japan and Korea have experienced a mutually beneficial economic relationship, and the United States and Japan are South Korea's biggest trading partners. Thus in several important ways, a trilateral relationship exists among the three countries.

Numerous Japanese, notably Members of the Diet and journalists, urged that the subcommittee not limit its investigation to bilateral relations between the United States and South Korea. They asserted that answers to some important questions in Korean-American relations could be found in Japan, and they alleged wrongdoing in Korean-Japanese relations as well. In particular, they asked for an investigation of the circumstances surrounding the abduction of South Korean politician Kim Dae Jung from a Tokyo hotel in 1973, and his subsequent appearance in Seoul in the custody of the Korean Government.

The subcommittee staff determined that to investigate Japan's relations with the United States or South Korea would exceed its mandate. Nor did it undertake an investigation of the Kim Dae Jung kidnaping beyond determining that the KCIA was responsible and that no Americans were involved.

When the members of the staff undertook an investigative trip to Seoul, they stopped over in Tokyo. The Japanese Government, citing considerations of national sovereignty, issued visas on the condition that the staff interview only American citizens. This restriction prevented the staff from interviewing several Japanese and Korean residents of Japan who wished to speak with them. Furthermore, when the staff arranged a voluntary interview with an American businessman, to take place within the U.S. Embassy, the Japanese Government initially objected, taking the position that the agreement under which the visas had been issued limited interviews to U.S. officials.

The U.S. Government, on the other hand, imposed no such restrictions when Members of the Japanese Diet traveled to the United States seeking information on the kidnaping of Kim Dae Jung. In the course of their inquiries, the Diet Members and their staffs interviewed American citizens and Korean residents of the United States at several locations around the country. Two Diet Members were in the United States on such an inquiry during the time that subcommittee staff was visiting Japan and Korea.

### III. INTRANSIGENCE OF THE MOON ORGANIZATION <sup>1</sup>

The subcommittee became interested in certain activities of Sun Myung Moon and his associated organizations after receiving allegations of links to KCIA activities in the United States, attempts to buy a controlling interest in an American bank, and manufacturing of weaponry for the Korean Government.

The hostility of some components of the Moon Organization, such as the Unification Church (UC), created special problems for the investigation. Followers of Moon not only refused to cooperate on a voluntary basis, but also resisted inquiries put to them under subpoena, absented themselves from the United States in order to avoid service of subpoenas, conducted well-financed and organized propaganda campaigns against Chairman Fraser personally and the investigation itself, and filed a \$30 million lawsuit against Chairman Fraser and two members of the investigative staff. From the outset, representatives of the UC and other Moon Organization components charged the subcommittee, and in particular its chairman, with violation of First Amendment rights to freedom of religion and association.

These charges were first made long before the Investigation of Korean-American relations began in April 1977. Early in 1976, the subcommittee began inquiring into the source of funding for the Diplomat National Bank (DNB), which had opened in Washington in December 1975. The inquiry was prompted by information indicating that associates of Tongsun Park and Sun Myung Moon together held a controlling interest in the bank. Representatives of the UC and the DNB joined at that time in denouncing the inquiry, describing it with epithets such as "McCarthyism" and "smear tactics." In testimony before the subcommittee that year, UC President Neil Salonen asserted First Amendment "associational" rights to avoid answering questions about the source of funds for DNB stock purchases and the persons involved in coordinating those purchases. Salonen claimed that, as far as he knew, the UC was not involved in any way in providing funds for those purchases. The subcommittee found that the UC was involved in over \$1 million of the original stock purchases.

In August 1977, another UC official, Daniel Fefferman, refused to answer questions about political activities in support of former President Nixon during the impeachment proceedings, again asserting as grounds "freedom of religion and association." In February 1978, Pak Bo Hi, Moon's aide and interpreter, appeared before the subcommittee and gave First and Fifth Amendment rights as grounds for refusing to answer questions put to him. Pak later abandoned his First Amendment claims after receiving immunity from criminal prosecution.

Pak Bo Hi's testimony before the subcommittee in 1978 was accompanied by an extensive propaganda campaign designed to discredit the investigation and the subcommittee chairman. UC-financed camera crews filmed the hearings; these films were edited to produce documentaries aired on TV stations in Korea. Pak and other UC members circulated literature accusing the subcommittee

<sup>1</sup> The subcommittee concluded that the various organizations associated with Sun Myung Moon constituted one group, which it designated the Moon Organization. See "The Moon Organization" in "Part C-V: Educational, Informational, and Cultural Activities," p. 313.

chairman of working for the Soviet Union; other literature made disparaging comments about his wife and children.

Organized propaganda activities by the UC, including attempts to link the subcommittee chairman with Communism, had begun in the summer of 1977, with the goal of stopping the investigation. Activities included visits by UC members to congressional offices; mass mailings to the press, clergy, legal professionals, and other influential persons and organizations; professionally prepared ads in newspapers; and wide use and circulation of UC-controlled publications such as News World and The Rising Tide. Public response was overwhelmingly in favor of the investigation, but subcommittee members and staff still had to devote a great deal of time to responding to the charges, accusations, and activities. The lawsuit against the subcommittee chairman and two staff members was part of the Moon Organization's overall propaganda campaign. UC representatives also announced suits against the New York Times and the U.S. Department of State in connection with matters arising out of this investigation.

Many persons with information about the Moon Organization expressed fear that they would be harassed with lawsuits if they spoke to the subcommittee. This fear resulted in part from the perception that the UC has unlimited financial resources to pursue legal actions, frivolous or otherwise, against any person or organization threatening it.

The unavailability of witnesses was a major problem in investigating allegations about the Moon Organization. Many UC members were out of the country or could not be located. Others, who were living in groups on UC compounds, had the same lawyers and appeared to be under the centralized direction and control of Moon and other high-ranking UC figures. Almost without exception, they would not consent to voluntary interviews.

Sun Myung Moon also declined to appear voluntarily. As a result, in May 1978, the subcommittee notified him through his attorney that it was considering serving him with a subpoena to require his attendance at public hearings in June. He was given until May 15 to respond. On May 13, Moon left for London, using a plane reservation made 2 days before under another name. Despite public announcements by UC members that he would return to the United States and contest the subpoena in court, he had not done so by the end of the investigation.

Some of the problems created by the attitude of UC members and officials were unique to this investigation and not likely to be repeated. Others, like the claims of First and Fifth Amendment rights, raised issues that are likely to recur. The subcommittee regarded some of the claims of privilege as spurious and designed to thwart legitimate inquiries, but the subcommittee recognizes that a court is the proper forum for the adjudication of such issues. However, under current law, there is no vehicle by which a court can rule on the validity of a claim of constitutional privilege prior to the initiation of a contempt action. The subcommittee's experience with recalcitrant UC members was a factor leading to its recommendation that Congress adopt legislation creating civil rem-

edies for the enforcement of congressional subpoenas.<sup>2</sup> The subcommittee also believes that adoption of the changes in House rules and procedures discussed earlier in this report<sup>3</sup> would enable future congressional investigations to deal more effectively with the kinds of problems created by hostile or evasive groups such as the Moon Organization.

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<sup>2</sup> See "Part D-IV: House Rules and Procedures," p. 415.

<sup>3</sup> *Ibid.*, p. 414-416.

## IV. HOUSE RULES AND PROCEDURES

It became apparent that the investigation was being hampered by certain House Rules and Regulations of the Committee on House Administration. These rules were designed for and are more suitable to the traditional legislative work of committees. Some examples of the problems faced in the course of the investigation due to these regulations, or lack of them, are enumerated below.

## TRAVEL

Under House Rule XXXV, a committee can only pay travel expenses and per diem to witnesses who formally testify before it. However, in an investigation it is often necessary to bring an individual to Washington for less than formal testimony. The staff of this investigation preferred to talk with persons informally before making recommendations on the need for formal testimony. Because of House Rule XXXV, funds were not available for this purpose; consequently the subcommittee had to send staff into the field. Since proper investigative procedures call for two investigators at each interview, this proved to be a costly system and required the authorization of additional travel funds.

The problem was particularly severe with respect to interviews with current or former Government officials living outside the Washington area. Many of these interviews dealt with classified subject matter, and the personnel and agencies involved would have preferred the questioning to have taken place in Washington.

The subcommittee recommends that House procedures be amended to allow investigative committees to pay travel expenses and per diem for persons to be interviewed who are being considered for testimony before such committees.

## QUORUMS

Quorums are required for a number of committee actions. House Rule XI2(h)(1) provides that "Each committee may fix the number of its Members to constitute a quorum for taking testimony and receiving evidence which shall not be less than two." House Rule XI2(k)(5) states that "if the committee determines that evidence or testimony at an investigative hearing may tend to defame, degrade, or incriminate any person, it shall receive such evidence or testimony in executive session." In order to close a meeting for executive session testimony, that same rule requires that a vote be taken in open session, with a majority of the members present.

The above procedures were inappropriate for investigative work. An investigative committee is apt to take much of its testimony in executive session due to the sensitive nature of the work. The tight and conflicting schedules of members made it difficult to obtain the necessary quorum to close hearings. Further, maintaining the necessary quorum to two was difficult—especially where witnesses required many hours, in some cases, days of closed session questioning.

## NEED FOR ONE-MEMBER DEPOSITION AUTHORITY

The International Relations Committee, at the behest of the subcommittee, adopted a resolution asking the House of Representatives to give the subcommittee the authority to compel any person, from whom a member of the subcommittee wished to take a deposition, to appear at any place within or outside the United States. All members of the subcommittee would be given advance notice of that time and place. The resolution was referred to the House Rules Committee, but was never considered.

The subcommittee recommends that future congressional investigations be granted the authority to compel depositions before a single member, and that House Rule XI2 be amended to permit a committee which is conducting an investigation to establish one member as its quorum for taking testimony.

## SWORN STATEMENTS

On several occasions, witnesses voluntarily gave sworn statements to the staff. Their statements were either oral or written, with a notary public giving the oath. While this procedure saved time, it was of questionable value because it is not addressed in the House Rules.

The subcommittee recommends that the House Rules make clear, either by amendment or interpretation, that staff members of investigative committees are authorized to take voluntary sworn statements.

## SUBPENA POWER

The subcommittee's subpoena power derived from House Rule XI2(m)(1) and the resolution adopted by the Committee on International Relations on February 3, 1978, which authorized the investigation. While the power to issue subpoenas was clear, there were no guidelines for serving them. The House generally seems to follow Federal rules. Fortunately, the subcommittee was not faced with any court action based on improper service. Had the situation arisen, however, a legal position might have been difficult to develop, given the absence of House Rules.

The subcommittee recommends that the House institute rules governing the service of subpoenas.

## SUBPENA ENFORCEMENT AND CONTEMPT POWER

There is no existing statute authorizing Congress to seek and obtain judicial enforcement of subpoenas, or providing civil remedies in the case of a witness who commits contempt during a congressional proceeding.

During the investigation, one witness before the subcommittee refused to answer questions during a hearing on the grounds that the questions infringed certain constitutional rights. Under current laws and procedures, the subcommittee's only practical recourse was to seek to have the House vote to hold the witness in contempt of Congress, and make a referral to the U.S. attorney for the District of Columbia for criminal prosecution.

This process is unwieldy and time-consuming and is designed to punish the witness rather than to provide Congress with the infor-

mation it seeks. From the standpoint of a witness with a valid legal argument against providing information sought by Congress, current procedure prevents a judicial determination of the merits of the claim until after the witness has been subjected to contempt citation, and possibly criminal prosecution.

In order to give Congress greater flexibility in the enforcement of subpoenas and in dealing with recalcitrant witnesses, while at the same time preserving the existing option of seeking a criminal prosecution, the subcommittee recommends that the House adopt legislation providing for the civil enforcement of congressional subpoenas. In 1977 the Senate passed a bill (S. 555), which contains a provision for the civil judicial enforcement of congressional subpoenas. The subcommittee urges the adoption of this or an equivalent bill in the House.

#### COSTS FOR REPRODUCING DOCUMENTS

There are no provisions in rules and regulations of the Committee on House Administration to pay for reproduction of documents which have been obtained through a subpoena duces tecum. The expense of collating and copying these documents can be very high. Several requests were received by the subcommittee to pay relevant expenses.

The subcommittee recommends that the House address the issue of payment for the reproduction of documents which have been obtained through a subpoena duces tecum.

## V. DIFFICULTY OF TRACING FINANCIAL TRANSACTIONS

The subcommittee was confronted with three tasks in tracing financial transactions: (1) Identifying sources of wealth and current income for several persons and organizations who figured in the investigation; (2) identifying funding for activities believed to be covert operations of the ROK Government in the United States; and (3) verifying allegations that U.S. corporations doing business in Korea made substantial political payments to officials of the Korean Government as a condition for doing business.

The task of examining the personal holdings of persons who figured in the investigation was necessary because in the case of two witnesses, Kim Hyung Wook and Pak Bo Hi, the size of their fortunes and source of current income bore directly on matters to which they testified before the subcommittee. More generally, in the case of others whose activities were investigated by the subcommittee, relationships among them were revealed that might otherwise not have been apparent. Some relationships tied them to lobbying activities of interest to the subcommittee which are described in other sections of this report.<sup>1</sup>

The subcommittee encountered substantial problems in tracing financial transactions. For example, bank account records in Korean banks were obvious sources of information that would have allowed the subcommittee to determine the sources of the fortunes of Korean officials and of funds used for ROK Government operations in the United States, as well as those of other organizations that figured in the subcommittee's investigation. However, Korean bank records are beyond the reach of U.S. subpoenas.<sup>2</sup> The investigation was therefore forced to rely largely on records of deposits and withdrawals of funds in U.S. bank accounts.

Even in instances where suspected operatives were supplied with funds through U.S. bank accounts, tracing these funds, both their source and use, was a difficult process at best for two reasons. First, funds can be brought into the United States either through the diplomatic pouch (and placed in U.S. bank accounts as untraceable deposits) or wired into U.S. bank accounts through a series of transfers among banks overseas that can be quite complicated. Staff investigators received information that both methods were used. Various financial trails of funds wired through banks ended, from the investigation's point of view, either back in Korean banks, in correspondent accounts of Korean banks in foreign countries, or in banks in countries protected by bank secrecy laws such as Switzerland or Singapore.

Second, tracking payments to suspected operatives from U.S. accounts required following a trail of bank checks or payments wired into secondary accounts that by a variety of devices were made to appear to be legitimate business transactions.

With respect to the inaccessibility of foreign bank records, the subcommittee understands that certain executive branch agencies such as the Internal Revenue Service and the Federal Bureau of

<sup>1</sup> See "Part C-III: Executive Branch Awareness of Questionable Korean Activities" and "Part C-V: Educational, Informational, and Cultural Activities."

<sup>2</sup> Law for Protection of Privacy on Deposits, Installment Deposits, Etc., of July 29, 1961 (No. 668) as amended Jan. 13, 1971, Law No. 2278; Korean Finance Minister Directive Re: Protection of Deposits Privacy, May 16, 1977.

Investigation occasionally receive cooperation from bank officials. The same was not true for the subcommittee. In the case of those agencies, the cooperation is based upon long-standing relationships with officials in those countries and the ability of U.S. agencies to reciprocate in providing information about persons under investigation in foreign countries.

In 1973, the United States signed a treaty with Switzerland which provides for "mutual assistance in criminal matters" between the two countries. However, the language of the treaty restricts this mutual assistance chiefly to matters concerning organized crime. The treaty provided formal procedures for the U.S. Government to acquire bank account information from Swiss banks and certain kinds of commercial and court records from Swiss Government agencies. The provisions for acquiring this information, however, do not extend to the Congress. Congress' ability to get protected bank account information from any foreign country is more limited, therefore, than that of the executive branch. Under normal circumstances however, it is the executive branch, not the Congress, which pursues allegations of U.S. tax, immigration, and foreign agent registration law violations.

Despite the various difficulties in tracing the transactions, the subcommittee was able to identify some methods used by Korean Government officials or its agents to acquire and transfer funds out of Korea. Some of these techniques are summarized below.

(1) Korea's strict currency control laws place all foreign exchange transactions made by Korean and foreign nationals under the supervision of the Ministry of Finance and the Bank of Korea. Payments to and from nonresidents (including Korean expatriates) are expressly forbidden, as are receipt of payments of behalf of nonresidents and transfers of funds in Korean bank accounts on behalf of nonresidents. With very few exceptions, all proceeds from foreign exchange transactions must be surrendered to the Korea Exchange Bank or other designated foreign exchange bank against payment in won, or must be converted into equivalent foreign exchange certificates.

To get around these regulations, Korean agents or sales representatives of American corporations doing business in Korea directed the companies to make commission payments owing the agents to third parties here in the United States, rather than remitting the payments to the agents in Korea. In effect, the corporations were used by their Korean employees or consultants as financial institutions for transferring funds to the United States. Persons who had amassed wealth while in office in Korea were able to acquire dollars for *won* in an exchange that left no trail, even in Korea.

In the case of Kim Hyung Wook, by arranging such funds transfers for himself through the use of the bank accounts of small American companies belonging to his associates, he was able to withdraw money from Korea in violation of the stringent currency control regulations he himself helped administer as Director of the KCIA. By virtue of this device, it was impossible for the subcom-

mittee to determine absolutely who the Korean payers were in Kim's case as well as in others.<sup>3</sup>

This method of circumventing foreign exchange reporting and controls was also used by the Korean Central Intelligence Agency to enable it to fund operatives abroad through proprietary companies in a manner that kept the payments and identity of the recipients a closely held secret.

(2) The funds for the Diplomat National Bank stock purchases arranged by Pak Bo Hi amounted to over \$1 million. They apparently involved a second method of transferring funds internationally. Pak testified that the source for the bulk of the cash was the Unification Church's pension fund in Japan. According to his testimony, the funds were brought in piecemeal in cash over several years, although his testimony could not be corroborated by reference to the Treasury's International Currency Transaction Reports required by the Bank Secrecy Act. The subcommittee also examined his personal bank account records, the records of the foundation he administers, and various Unification Church bank accounts, none of which revealed massive withdrawals of cash. If funds for the purchase of the stock were brought into the United States in any sums larger than \$5,000 and were not reported to the Treasury, the importation of this cash may have been illegal under U.S. law.

The subcommittee found it impossible to verify Pak's explanation of how he financed his own stock purchases. He stated that the funds came from Mitsuharu Ishii, an officer of the Unification Church in Japan, who, according to Pak, had loaned him \$223,000 between 1972 and 1974, which Pak said he used to make business investments. As evidence of these loans, he produced three promissory notes dated February 15, 1972, October 9, 1972, and November 19, 1974. Two were made out to Ishii as "President, Unification Church Pension Fund International." All of the notes stated that the loans were for a maximum term of 10 years without interest and with no provision for collateral.<sup>4</sup> Under questioning, Pak admitted that he had signed all three promissory notes in 1978<sup>5</sup> and that, in addition, he had failed to list the first two of these loans as liabilities in an application for a bank loan in late 1972.<sup>6</sup>

Although Pak said he had known Ishii for years, he did not know where Ishii got the money to lend him \$223,000 or whether it came from the pension fund:

Mr. FRASER. Colonel, you were the one who instructed Mr. Ishii to set up the pension fund; isn't that right?

Mr. PAK. Yes.

Mr. FRASER. Are you saying now you borrowed a total of several hundred thousand dollars from him and you don't know whether the money came from that pension fund or not?

Mr. PAK. No, sir.

Mr. FRASER. You do not know?

Mr. Pak. No, sir.<sup>7</sup>

<sup>3</sup> See "Part D-VI: Special Problems With Tongsun Park, Kim Hyung Wook, and Kim Ki Wan," pp. 421-424.

<sup>4</sup> KI-4, pp. 278-292; 315-330.

<sup>5</sup> Ibid.

<sup>6</sup> "Investigation of Korean-American Relations," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 95th Cong., 2d sess., Part 4, Mar. 15, 16, 21, 22; Apr. 11, 20; and June 20, 1978, p. 294.

<sup>7</sup> KI-4, p. 324.

(3) Results of the subcommittee's investigation of corporate payments to ROK Government officials in Korea are treated in more detail elsewhere in this report,<sup>a</sup> but two more devices for the transfer of funds that came to the subcommittee's attention in that part of its investigation are worth mentioning here. One was to make overpayments to sales representatives and consultants of the companies in Korea, who then transferred the excess funds to Government officials or to the Democratic Republican Party through its fundraisers. This form of payment usually occurred over a period of time and, in at least two cases known to the subcommittee, was associated with contract overbilling procedures whereby the payments of ROK Government officials were built into negotiated contracts. Sometimes these payments were made directly to sales representatives and consultants; other times payments were made through joint-venture companies partly owned by American firms and partly owned by Korean nationals or the Korean Government.

The second device, associated with demands for lump-sum contributions to political funds in Korea, was the establishment by American corporations of Swiss bank accounts in the names of persons designated by Korean officials. Funds from the account were eventually withdrawn from the bank in cash and were untraceable.

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<sup>a</sup> See "Problems of Political Funding and U.S. Trade and Investment in Korea" in "Part C-IV: Economic Relations, pp. 225-258.

## VI. SPECIAL PROBLEMS WITH TONGSUN PARK, KIM HYUNG WOOK, AND KIM KI WAN

Early in the investigation, the subcommittee identified three Koreans—Tongsun Park, Kim Hyung Wook, and Kim Ki Wan—as potential witnesses with knowledge of matters important to the investigation. Complete and truthful cooperation from these men would have been of great benefit. However, the subcommittee's experience with each was less than satisfactory, with the result that some questions remained unanswered at the end of the investigation.

### TONGSUN PARK

Park received more attention from the media than any other figure in the Korean influence scandal. Most of the publicity and investigative effort focused on Park's dealings with Members of Congress. Since he was an important witness in the investigations of bribery being conducted by the Department of Justice and the House and Senate ethics committees, the subcommittee decided to take no action which would jeopardize those inquiries. As a result, the subcommittee was only able to gain access to Park for informal questioning late in the investigation, and even that questioning was limited as to scope and subject matter.

The subcommittee became interested in Tongsun Park in 1976, in the course of hearings on KCIA activities in the United States. Park's relations with Congressmen, Senators, and executive branch officials, his alleged role as a KCIA agent, and his purchase of stock in the Diplomat National Bank were all topics of interest to the subcommittee at that time. In August 1976, the subcommittee received subpoena powers for its KCIA inquiry and planned to issue a subpoena to Park. In deference to the Justice Department's stated desire that no subpoena be issued until its investigators had a chance to secure Park's voluntary cooperation, the subcommittee postponed its plans for a subpoena. Two months later, Park left the United States, thereby placing himself beyond the reach of both the subcommittee and the Justice Department. He did not return until 1978 when—after protracted negotiations—an agreement was reached which required him to testify in the Justice Department's grand jury investigation in exchange for immunity from prosecution.

Before Park's return to the United States pursuant to this agreement, the subcommittee authorized a subpoena for his appearance, to be issued in the event he refused to cooperate voluntarily. However, the Korean Government expressed a strong desire that Park not be made available to the subcommittee, and there were indications that if he were subpoenaed, the agreement by which he was to return to the United States and discuss his payments to Congressmen might be jeopardized. Accordingly, the subcommittee chairman agreed to wait until Park's second trip to the United States to take steps to question him.

After testifying before the House and Senate ethics committees and the grand jury in March and April 1978, Park returned to Korea. He came back to the United States in the summer of 1978 for further questioning. Amid continuing indications that service of

a subpoena would endanger Park's cooperation with the ethics committees and the Justice Department, the subcommittee chairman agreed to take an informal statement in lieu of an appearance under subpoena. Park cleared this agreement with the Korean Government.

In his Ethics Committee testimony, Park admitted to making payments to Korean Government officials. When the subcommittee staff attempted to question Park about the details of those payments and their possible relation to Park's dealings with U.S. firms, he refused to answer, citing difficulties he would encounter with the Korean Government if he were to discuss such matters. Park's reluctance to discuss his dealings with Korean officials cut off important areas of inquiry. In addition, Park's obvious fear of Korean Government reprisal, coupled with his implausible denial that he had collaborated in ROK Government influence schemes, made much of his testimony suspect.<sup>1</sup>

#### KIM HYUNG WOOK

Kim was Director of the KCIA from 1963 until 1969 and a member of the Korean National Assembly from 1971 until 1973. In 1973, having been ousted from the Government, he moved to the United States, where he and his family set up residence in New Jersey. The subcommittee sought cooperation from Kim Hyung Wook during its 1976 investigation of KCIA activities. Although he granted interviews, he refused to testify, and there were indications that he was not revealing all that he knew about KCIA activities and ROK influence schemes in the United States.

On June 5, 1977, the New York Times printed a lengthy article<sup>2</sup> quoting Kim as saying that he had used Tongsun Park as an agent while KCIA director, and naming persons as having been KCIA operatives in the United States. After these public disclosures, Kim agreed to testify before the subcommittee. During his appearance on June 22, Kim Hyung Wook gave his views on Korean-American relations and testified about his knowledge of Tongsun Park, the Unification Church, Radio of Free Asia, the Research Institute on Korean Affairs, Hancho Kim, the kidnaping of Kim Dae Jung, and other matters.<sup>3</sup> On several subjects he disavowed statements attributed to him in the New York Times article.

In response to a question from Congressman Goodling about how he brought his wealth into the United States, Kim said, "Since I am not a man of wealth there wasn't much to be taken with me."<sup>4</sup> He also testified that it took 2 years for him to bring \$150,000 out of Korea because of the limitations of the black market. He said that since arriving in the United States he had not engaged in business activity and summarized his life since entering the United

<sup>1</sup> See Park's testimony, "Korean Influence Investigation, Part 2," hearings before the Committee on Standards of Official Conduct, 95th Cong., 2d sess., Apr. 3, 4, 5, 10, and 11, 1978, p. 11.

<sup>2</sup> See "Investigation of Korean-American Relations," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 95th Cong., 1st sess., Part 3, Nov. 29 and 30, 1978 (hereinafter referred to as "KI-3"), appendix 2, p. 139.

<sup>3</sup> See "Investigation of Korean-American Relations," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 95th Cong., 1st sess., Part 1, June 22, 1977 (hereinafter referred to as "KI-1").

<sup>4</sup> KI-1, p. 43.

States in the following words: "My life here is to self-reflect, to study and cultivate myself, and so forth."<sup>5</sup>

In a staff interview on July 11, 1977, the transcript of which was published as an appendix to the hearing of June 22, General Kim asserted that he had never received any money from Tongsun Park or been offered money by Park. He also said that, while he was KCIA director, he received \$750 to \$1,000 a month for his services and that this was the only public money he ever took. Beyond this public allowance, he received only small amounts of money for living expenses from two or three private individuals, according to his statement. He said, "I never received a large sum of money from anybody."<sup>6</sup>

Kim Hyung Wook's original testimony served to crystallize a number of issues in the investigation and provided leads which were verified through other sources. Most of the information he provided, insofar as it could be checked, proved to be accurate as far as it went. However, Kim's testimony stirred controversy in the Korean-American community and drew heavy criticism from the ROK Government. Much of this controversy arose from Kim's personal reputation; many Koreans saw him as a harsh KCIA director who had acquired a fortune while in office and managed to take it to the United States. The subcommittee continued to hear vague accusations that he had brought a great amount of money into this country, but there appeared to be no specific evidence contradicting the public assertions he made about his finances.

In September 1977, Sohn Ho Young, the KCIA station chief in New York, left the KCIA and agreed to provide information to the subcommittee. Sohn's testimony in November revealed an intricate series of negotiations between Kim Hyung Wook and the ROK Government both before and after General Kim's testimony before the subcommittee, and showed that the ROK Government had attempted to prevent or at least modify Kim's testimony. Sohn expressed his own feelings about these negotiations in the following words:

Earlier this year the Government of South Korea was telling the people of South Korea that Kim Hyung Wook, a former director of the KCIA \* \* \* was a traitor to the nation for making public statements in the United States against the South Korean Government. The Government was also denouncing him as a thief for sending money out of South Korea illegally. But at the same time, the Park regime continued to negotiate with Kim Hyung Wook. I was aware of the details of these negotiations.<sup>7</sup>

Sohn did not know whether Kim actually withheld or modified anything in connection with his testimony and there was no evidence that he did; however, information provided by Sohn once again brought Kim's affairs under close scrutiny and he was interviewed again by the staff. In January 1978, General Kim was arrested and convicted on a guilty plea of smuggling \$64,000 into the United States from Europe. Shortly after that arrest, the subcommittee also learned that \$16,000 in payments to "Porkchop" (listed in Tongsun Park's ledgers) were payments made to Kim. These discoveries led the subcommittee to launch a detailed investigation into Kim's finances which lasted several months.

<sup>5</sup> KI-1, p. 43.

<sup>6</sup> KI-1, p. 68.

<sup>7</sup> KI-3, p. 6.

Numerous bank records were subpoenaed and examined, and the staff interviewed a number of persons familiar with various aspects of his financial affairs. Initially, he admitted to the staff that he had brought only a total of \$2.6 million into the United States and that that sum represented his total fortune at its height before it was reduced by half in gambling losses. However, there were indications in bank memoranda that Kim's fortune might have amounted to as much as \$15 to \$20 million in United States and foreign bank accounts; that he maintained \$4 to \$6 million alone in offshore time deposits managed by his New York bank; that he continued to bring funds out of Korea through the use of friends' business bank accounts; and that such funds were being remitted to him as late as June 1977.

Kim also admitted receiving \$750,000 during his tenure as KCIA director from S. K. Kim, then finance chairman of the Democratic Republican Party (DRP). He further admitted that S. K. Kim received the money from funds donated to the party. Evidence developed in this and other investigations showed that S. K. Kim had participated in extorting funds from American corporations doing business in Korea.

These findings appeared to contradict General Kim's earlier assertions that he was not a man of wealth, that he brought only a modest sum of money out of Korea, that he took only a legal monthly allowance in public money and never received a large amount from anyone, and that he has engaged in no specific business since entering the United States but instead has been pursuing a life of study and reflection.

In executive session testimony in July and August 1978, General Kim discussed his finances and several other subjects.<sup>8</sup> The details revealed about his finances and the varying levels of candor in his dealings with the subcommittee continued to raise questions about how fully he revealed his knowledge of the matters under investigation.

#### KIM KI WAN

In testimony on June 22, 1977, Kim Hyung Wook named Kim Ki Wan and others as the KCIA officers involved in the August 1973 kidnaping of Korean opposition leader Kim Dae Jung.<sup>9</sup> At the time of the kidnaping, Kim Ki Wan was KCIA station chief in Tokyo. Earlier he had been in charge of the KCIA's psychological warfare bureau. The subcommittee had reason to believe that Kim Ki Wan had knowledge of such matters as the establishment of Radio of Free Asia, extortion of money from U.S. companies, and KCIA influence activities directed at U.S. officials.

The subcommittee learned that Kim Ki Wan came to live in the United States within months after the Kim Dae Jung kidnaping. He and his family obtained permanent legal resident alien status and settled in the Los Angeles area. Although ostensibly he had left the KCIA, there was reason to believe that he was still engaged

<sup>8</sup> "Investigation of Korean-American Relations," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 95th Cong., 2d sess., Part 7, June 22, 1977; July 20 and Aug. 15, 1978.

<sup>9</sup> Op. cit., KI-1, pp. 39-42; pp. 64-65; appendix 2, p. 71.

in covert KCIA activities in the United States involving contact with a third country foreign intelligence agency.

The subcommittee staff made strenuous efforts to locate Kim and in the process learned that Kim—like Kim Hyung Wook—had amassed a fortune exceeding \$2 million, part of which he had invested in real estate in southern California. The source of his wealth was undetermined.

In early 1978, the subcommittee learned that Kim Ki Wan had traveled to Korea to avoid being questioned by U.S. investigators. Once in Korea, Kim was placed under virtual house arrest by the ROK Government and not allowed to leave the country, while his family stayed in the United States. Kim remained inaccessible to U.S. investigators.



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## **PART E**

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### **ACTIVITIES OF INFLUENCE BY FOREIGN GOVERNMENTS**

In the absence of clearer guidelines from the executive branch, this section attempts to describe activities of influence by foreign governments in the United States which are acceptable, and those which are illegal, with reference to relevant U.S. laws.

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## INTRODUCTION

Every nation attempts to persuade other nations that its policies are right. In turn, its policies are influenced in varying degrees by those of other nations. The act of persuasion need not be confined to government. In a democracy such as the United States, public policy is affected by many elements. Foreign governments may address their arguments to whichever elements might have influence on U.S. policy, consistent with regulations governing diplomatic activities and behavior.

Quite frequently, foreign governments use nondiplomatic persons to conduct activities designed to influence U.S. officials and the American public. These persons are required to identify that they are acting on behalf of a foreign government, and their activities must conform to various laws of the United States.

Questions of impropriety and illegality arise largely from a failure to make that identification and from the conduct of covert activities that are clearly not in accordance with U.S. law. The subcommittee's investigation has been to a large extent devoted to determining whether certain unregistered persons were in fact acting as agents of the Korean Government and whether the actions of the Korean Government and its officials or agents conformed to U.S. laws.

The allegations which were investigated suggested extralegal efforts by the Korean Government and persons acting on its behalf to influence American policy and opinion. Press accounts and public discussion of the Korean scandal, however, have sometimes made indiscriminate use of the term "lobbying" in connection with the efforts to influence. The result has been confusion both as to the definition of lobbying and how to characterize the Korean activities in question.

### LEGAL LOBBYING

Lobbying is the act of a special interest group designed to influence the decisions of legislators and policymakers. Bribery, harassment, intimidation, lavish gift-giving, and covert payments may have the same objective, but are either illegal or unacceptable to the public.

Diplomats are official, overt lobbyists for their government. They are responsible for presenting its views to officials of the United States. Diplomats lobby and propagandize among not only officials of the executive branch, but also among members and staff of the Congress and the public at large. The Foreign Agents Registration Act states that such activities must be conducted within the scope of the official duties of diplomats.

Most official contacts by diplomats are with representatives of the executive branch, to whom they present the views of their government. In addition, diplomats have various legitimate opportunities to present those views to others. They may meet with

Members of Congress and staff. They may mail publications to Congress and the general public. They may talk with the press, place advertisements with mass media publications, or provide film for television broadcasting. They may make speeches anywhere in the United States. They may invite Americans to visit their country, offer to pay for the trip, and arrange for visitors to meet Government officials. In all these cases, the identity of the diplomat as a foreign agent is known, and the activities are legal under American law except that U.S. Government officials may accept travel expenses from a foreign government only for exchange programs approved by the State Department.

There is no statute prohibiting diplomats from testifying voluntarily before a congressional committee to express the interests of their government. The Vienna Convention on Diplomatic Privileges and Immunities (1964), however, exempts diplomats from compulsory appearance, and in practice, foreign governments almost never allow diplomats to testify in Congress.

Most lobbying for foreign governments in the United States is done through hired agents. Public relations firms, advertising agencies, attorneys, and special consultants are among those employed extensively by foreign governments. As long as the agents are properly registered, they may engage in a wide variety of lobbying practices, including:

- (1) Acting as a publicity agent by disseminating propaganda either in writing, orally, or directly or indirectly through the mail;
- (2) Soliciting and dispensing money for the foreign principal;
- (3) Engaging in trade controlled by the foreign principal;
- (4) Representing the interests of the foreign principal before any official of the U.S. Government;
- (5) Acting as a political consultant; and
- (6) Testifying before congressional committees.

#### ILLEGAL INFLUENCING

A number of activities are specifically prohibited to officials or agents of foreign governments, while others are subject to certain conditions. The Foreign Agents Registration Act expressly prohibits the dissemination of political propaganda by persons other than diplomats or consular officials to any agency or official of the U.S. Government (including Members of either House of Congress), unless accompanied by a statement clearly indicating that the person is a registered foreign agent. A person convicted of willfully violating the act may be fined up to \$10,000 or imprisoned up to 5 years, or both. In addition to criminal penalties, the act authorizes the Attorney General to initiate proceedings to compel compliance.

It is also a crime for any person other than a diplomatic or consular official to act in the United States as an agent of a foreign government without prior notification to the Secretary of State. The law (18 U.S.C. 951) authorizes 10 years imprisonment or a fine of \$5,000, or both, for violations.

Specific restrictions imposed on foreign agents by the Foreign Agents Registration Act are:

(1) The mails or any other instrumentality of interstate or foreign commerce may not be used to disseminate propaganda advocating disorder or the overthrow of the Government;

(2) All political propaganda sent through the mails must be marked conspicuously with a statement indicating the agent's registered status;

(3) Books and records must be kept and made available to enforcement officials and the public;

(4) When a foreign agent testifies before a congressional committee on behalf of a foreign principal, he must file a copy of his most recent registration statement as a part of his testimony;

(5) Foreign agents may not enter into a contingency fee arrangement with a foreign principal;

(6) Foreign agents may not give a gift of more than \$100 in value to a Senator, Congressman, their families, or staff.

The activities of foreign agents are, of course, also subject to statutes governing bribery, espionage, sabotage, and subversive activities. The law governing bribery (18 U.S.C. 201) prohibits anyone from offering anything of value to a public official to do anything in violation of his lawful duties. The penalty is a fine of up to \$20,000 or three times the amount of the bribe, or up to 15 years imprisonment, or both. Persons convicted are disqualified from holding public office.

The Federal Election Campaign Act of 1971, as amended, (2 U.S.C. 441e) prohibits campaign contributions by a foreign principal. The penalty for a contribution of \$1,000 or more is a fine of \$25,000 or three times the amount of the contribution, or 1 year imprisonment, or both.

Persons who have received training in foreign espionage and sabotage are required to register with the Attorney General (50 U.S.C. 851-857). The penalty, including for false statements and omission of material facts, is 5 years imprisonment and a fine of \$10,000. Convicted aliens are subject to deportation.

Harassment and intimidation of residents of the United States are punishable under various Federal and State laws and constitutional guarantees. The subcommittee found that such activities on behalf of a foreign government included threatening and carrying out economic reprisals and threatening the safety of relatives in a foreign country.

#### REGISTRATION OF FOREIGN AGENTS

According to U.S. law, all persons working on behalf of foreign governments in the United States must identify themselves. The Foreign Agents Registration Act of 1938 requires registration of persons engaging in "propaganda activities and other activities for or on behalf of foreign governments." The purpose is "so that the Government and people of the United States may be informed of the identity of such persons and may appraise their statements and actions in the light of their associations and activities." Such persons must also notify the Department of State that they are foreign agents. Diplomatic personnel are not required to register under these statutes, but under article 41 of the Vienna Convention on

Diplomatic Relations, they have a "duty not to interfere in the internal affairs of the [receiving] state."

A registered foreign agent is permitted to conduct similar activities because he has satisfied the requirements of the law by making known his identity as a person working on behalf of certain interests of a foreign government. His status as a foreign agent is recorded in the periodic public reports he is required to file at the Department of Justice.

The conduct of diplomats and registered agents is seen in the context of their acting openly on behalf of a foreign government and is judged according to standards of good taste, reasonableness, and compliance with the laws of the United States. If the U.S. Government discovers that laws have been violated in the course of representing a foreign government, it may hold the violators accountable. In the case of diplomats, who are immune from prosecution, the United States may ask that their government recall them, or it may declare them *persona non grata*, compelling their immediate departure from the United States immediately.

A problem the subcommittee encountered was the difficulty, in some cases, of proving that a person was in fact an agent who should have registered. Many persons are covert agents. They and their government may maintain, even in the case of criminal prosecution, that the agents were acting as individuals. While executive branch reports may show they were acting at the behest of a foreign government, such reports usually are not admissible as evidence in court.

It is clear that foreign governments may propagandize extensively and otherwise lobby Americans through hired agents, provided the agents are identified according to law. The act of registering as a foreign agent is an explicit declaration that an agency does exist. The statutory registration requirement, however, is not limited to those agency relationships established specifically by a contract between the agent and the foreign principal. It applies to any situation in which an agency can in fact be said to exist.

#### CONCLUSIONS

The degree to which Americans are influenced by foreign agents is a function of the agents' persuasiveness and the judgment of individual Americans who are targets of influence activities. Federal officials, including Members of Congress and staff, are prohibited from accepting gifts of more than \$100 in value from foreign agents. Federal officials may accept payment from foreign governments to visit foreign countries if the proposed trip is among the cultural exchange programs approved by the Secretary of State (22 U.S.C. 2458). Private citizens are not bound by this statute, but the subcommittee considers the statute to be an appropriate guideline for private citizens to consider when deciding whether to accept travel expenses from a foreign government.

Within the bounds of the law, reasonableness, and good taste, foreign governments should be encouraged to make their views known openly to Americans. Accordingly, diplomats and other foreign agents should be encouraged to appear as witnesses before congressional committees.

It is incumbent upon U.S. Government officials, especially in law enforcement and foreign relations, to monitor closely the activities of unregistered persons who intensively promote the interests of foreign governments. If intelligence or other information suggests an agency relationship with a foreign government, appropriate officials should investigate. The executive branch showed little concern in the past about such activities by allied governments. The unfortunate result was that illegal covert activities of influence on behalf of the Republic of Korea proceeded unchecked until they reached the proportions of major scandals.

In reply to a request by the subcommittee chairman for a statement delineating lobbying which is proper, improper, legal, and illegal, the Department of State wrote that "The Department has not prepared specific guidelines for distribution to foreign governments which would set forth the acceptable limits of such activity in this country." The letter asserted that this is "a matter which the Department believes should be looked into under the circumstances of the particular case."

The following is the correspondence between the subcommittee chairman and the Department of State:

SUBCOMMITTEE ON INTERNATIONAL ORGANIZATIONS,

June 12, 1978.

HON. CYRUS R. VANCE,  
*Secretary of State,*  
*Washington, D.C.*

DEAR MR. SECRETARY: One of the most difficult questions we have faced during the course of our investigation is the extent to which foreign governments can engage in lobbying practices, properly and legally, in a host country. In that regard, we request that the Department of State prepare a statement, for use by the Investigation of Korean-American Relations, on the subject of lobbying of Americans by representatives of foreign governments.

Such a statement would be very useful to this subcommittee as it seeks to reach conclusions for this investigation. We hope to be able to make objective distinctions—both in general and specifically insofar as possible—between lobbying which is proper and improper, legal and illegal.

From our review of the files of the Department, we have found a document that suggests that the Department may have been contemplating preparing guidelines on this subject for distribution to several Embassies including the Korean Embassy. The document is dated October 16, 1970, from Ambassador William Porter to Deputy Assistant Secretary Winthrop Brown.

I would be most grateful for your favorable consideration of this request. If possible, we would like to have the completed statement by August 1st. The investigative staff is available to consult with officers of the Department regarding further details about the request. For that purpose, I suggest you have someone contact either Bob Boettcher or Michael Hershman at 225-7222.

Sincerely yours,

DONALD M. FRASER, *Chairman.*

DEPARTMENT OF STATE,  
*Washington, D.C., September 11, 1978.*

HON. DONALD M. FRASER,  
*Chairman, Subcommittee on International Organizations,*  
*Committee on International Relations, House of Representatives.*

DEAR MR. CHAIRMAN: I am writing in response to your letter of June 12 to Secretary Vance requesting a statement from the Department regarding lobbying of Americans by representatives of foreign governments. The Department has not prepared specific guidelines for distribution to foreign governments which would set forth the acceptable limits of such activity in this country. The paper dated October 16, 1970, which you identify in your letter, was never distributed to foreign embassies. However, the following represents the Department's views on the matter.

The Department adheres to the principles contained in the Vienna Convention on Diplomatic Relations of 1961, generally a codification of customary international law and practice, respecting the extent to which foreign diplomatic representatives are permitted to "lobby" American concerns. After due consideration, we have been unable to significantly improve upon Article 41 of that Convention which provides that a diplomatic agent has a "duty not to interfere in the internal affairs of the [receiving] State". A large part of this restriction relates to involvement of a diplomat in domestic political activities, such as participation in political campaigns, but would also extend to other activities constituting inappropriate intervention into domestic affairs.

In view of the fact that Article 41 of the Vienna Convention specifically imposes a duty on all persons enjoying privileges and immunities to respect the laws and regulations of the host country, quite apart from the injunction against interfering in internal affairs, we would consider any lobbying by foreign diplomats which violates State or Federal laws or regulations as a violation of the Convention.

While the Department regards this responsibility as a serious one and expects foreign diplomatic agents to refrain from activity which would bring them into potential infringement thereof, the Department realistically expects that certain official activities of diplomats will bring them into contact with persons on the domestic scene who may be involved, directly or indirectly, in political activity or with events of domestic political interest. Generally, the Department would not regard such contact *per se* as a violation of the diplomat's responsibility. In this regard, it is noted that Article 3 of the Vienna Convention provides that the functions of a diplomatic agent include, *inter alia*:

"(d) ascertaining by all lawful means conditions and developments in the receiving State, and reporting thereon to the Government of the sending State;" and

"(e) promoting friendly relations between the sending State and the receiving State, and developing their economic, cultural and scientific relations."

Thus, it can be seen that any absolute bar against a diplomat's contact with domestic political figures or political events might well result in the diplomat's inability to carry out his authorized functions in an effective way.

Whether or not an individual diplomat or group of diplomats has exceeded appropriate involvement in affairs affecting domestic politics is a matter which the Department believes should be looked into under the circumstances of the particular case.

It is hoped that the information contained in this letter will be of assistance. If further inquiries arise, they may be directed to the Office of the Legal Adviser, telephone 632-0768.

Sincerely,

DOUGLAS J. BENNET, Jr.,  
Assistant Secretary for Congressional Relations.

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## **PART F**

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### **ADDITIONAL VIEWS**

Additional views of the minority members with respect to the report of the investigation of Korean-American relations.

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ADDITIONAL VIEWS BY HON. EDWARD J. DERWINSKI AND HON.  
WILLIAM F. GOODLING

The Minority had serious doubts about this investigation when it was first proposed in 1977. The questionable activities carried out by South Korea in the United States—which were the inspiration for the investigation—had for the most part ceased, as this report documents, by the time the inquiry got underway in April 1977. We believed in the beginning that there were several other serious problems to which the Subcommittee could have turned its energies rather than to add to its burdens an investigation already being carried out, or contemplated, by the House and Senate ethics committees, as well as by the several agencies of the Executive Branch.

Nevertheless, once the investigation started, the Minority Members gave it full cooperation. It was our aim, among other things, to help provide objectivity and perspective to the investigation itself and to the final report. We believe we have made a positive contribution in this regard.

This report describes in detail the nature and extent of South Korea's actions. It provides valuable insights into questions often treated superficially by the media and sheds light on some heretofore unexamined areas. The report thereby contributes to a clearer understanding of a complex Korean-American relationship—a comprehension of which has often been absent or simply obscured by rhetoric.

All this notwithstanding, the Members of the Minority have believed that, from the start, the scope of the investigation was far too broad; indeed, the Subcommittee's mandate itself encompassed too much. Thus, a highly diligent staff attempted to accomplish more than the time and resources could allow. Qualified and dedicated, the staff members labored extremely hard throughout the investigative stage, and their efforts to produce a detailed and comprehensive final report were exceptional.

By the same token, the volume of information acquired in the course of the inquiry was so great that the Members of the Subcommittee obviously could not familiarize themselves with it all. Having worked long and diligently with the Chairman of this Subcommittee, the Members of the Minority have signed this report in the same spirit of cooperation which has characterized our collaboration throughout the investigation. Our signatures, however, are not an imprimatur for all the complex details uncovered, or all the conclusions and recommendations arrived at, by the large and industrious staff.

There were, moreover, some differences of preception, interpretation and emphasis between the Majority and Minority Members. These differences, though not many, mitigate against a blanket endorsement of the report.

This investigation found its origins, of course, in South Korean wrongdoing. With respect to these misdeeds, the Minority endorses the view of Harold Brown, Secretary of Defense, when he spoke of allegations of South Korean bribery and improper influence:

We condemn such actions as a serious misinterpretation of our governmental process and of the mores of the American people. At the same time, we must not let the Tongsun Park affair obscure our basic national interests in Korea.

To look at Korea solely in terms of this scandal without regard to our security interests and responsibilities would endanger not only South Korea and its people, but the stability of northeast Asia and the security of this country as well. (As quoted in the New York Times, Feb. 23, 1978.)

This statement offers a perspective which the Minority believes should be emphasized. Another is one arrived at by The Washington Post in a perceptive editorial on June 14, 1978. The editorial said in part:

Whatever South Korean officials did on the Hill back in the early 1970's, they were surely motivated only by a desire to serve their country. It is not hard to imagine that the Koreans, apprehensive about what American policy might be after Vietnam, thought it might be prudent to take out a little insurance on Capitol Hill. They could well have thought that they would not be the first to act in this way.

The misdeeds detailed by this report can in no way be condoned, but the basic interests of the United States must nevertheless remain paramount in any assessment of these activities. Moreover, the enormous apprehension of the Koreans about their national survival must be understood completely before one can judge the "Korean scandal" properly.

The point made at the end of The Washington Post editorial is also particularly relevant in viewing the Korean problem. There are, and have been for decades, other operations of influence in this country—some conducted by allies, as in the case of the Republic of Korea, some by more-or-less neutrals or occasional friends, and some by those who have acted consistently as virtual enemies. During hearings conducted by the subcommittee the word "subversion" was used more than once to characterize South Korea's attempts to better her position vis-a-vis the U.S. Congress and other agencies of power in America. The media, of course, seized upon that dramatic word for its headlines. There has been no evidence, however, to determine that the ROK ever attempted "to overthrow or destroy" or "to overturn from beneath," which are normal definitions of the word "subversion."

Indeed, the whole point of the Korean excesses would be missed if they are not viewed in that light. The Koreans have done some bad things; of that there is no doubt. They have misunderstood our mores, as Secretary Brown has observed, and they have misused our institutions. Nevertheless, as this report clearly documents, they were trying, however misdirected their operations, to restore and strengthen long-established ties with the U.S. They were not even remotely trying to overturn or destroy our system of government on which they depend so much. In comparison, the Soviet Union, for example, has been sponsoring agents of influence in this country since before the Republic of Korea existed. That is the kind of influence and the kind of activity which can correctly be called "subversive."

The Minority also believes that the course of the investigation was sometimes shaped by preconceptions. The goals were optimistic

but evidence did not always materialize in the precise form to support the objectives.

The Minority also notes the obvious—that the matter of questionable corporate payments to officials abroad is not limited to South Korea. It is a way of life in a number of areas of the world.

There were also mechanical problems which precluded an unqualified acceptance of the report by the Minority. With the adjournment of Congress on October 15, 1978, most of the Members of the Subcommittee left Washington before a completed draft of the report could be reviewed. We, therefore, were unable to read the final report in its entirety.

Despite these real reservations and concerns over various aspects of this report, the Minority wishes to assert its particular support of the finding of the section on the Moon organization. We believe that no Member of the Subcommittee was in any way interested in interfering with the religious rights of Sun Myung Moon or his followers. There was complete agreement, nonetheless, that the political and commercial activities of the Moon organizational complex may have violated U.S. laws and deserve to be investigated thoroughly. For several years a few states in the U.S. have attempted to cope with the Moon organization despite inadequate resources and without the coordination that only the Federal Government can provide. As this report shows, the Moon operation is national—indeed international—in scope. It has long deserved the close scrutiny of the Federal Government, and it is difficult to understand why the appropriate agencies of the Executive Branch have not long since taken action against those activities of the Moon Organization which are illegal.

That South Korea was particularly bold and active in its operations contributed to the shock when its activities were eventually publicized. Whatever caused the South Koreans to act as they did and what American officials contributed to that process are well set forth in this document. One may differ in the interpretation of the events as spelled out in this report, but it is obvious there is much to be learned from this investigation.

Finally, the Minority believes that most of the problems discussed in this final document have already been solved. Those that remain can now be approached with the valuable perspective gained from this inquiry. The Minority Members trust that the Korean-American interrelationships will now have reached a point of mutual understanding and that henceforth relations will only continue to improve.

EDWARD J. DERWINSKI.  
WILLIAM F. GOODLING.

The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry should be clearly documented and supported by appropriate evidence. The text then moves on to describe the various methods used to collect and analyze data, highlighting the need for consistency and reliability in the process. It also touches upon the challenges faced in data collection and the strategies employed to overcome them. The document concludes by summarizing the key findings and the implications of the research, suggesting areas for further study and practical applications.

The second part of the document provides a detailed overview of the experimental setup and the procedures followed during the study. It includes a description of the participants, the materials used, and the specific tasks assigned to them. The text also outlines the data collection methods and the statistical analyses performed to interpret the results. This section is crucial for understanding the methodology of the research and for replicating the study if necessary. It concludes with a discussion of the limitations of the study and the potential for future research in this field.

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## **PART G**

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### **GLOSSARY**

This glossary contains names and descriptions of persons and organizations mentioned prominently in the report.

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## I. ORGANIZATIONS AND TERMS

*Asian Peoples' Anti-Communist League—Freedom Center (APACL-FC)*—Project of the South Korean Government for which Kim Jong Pil attempted to raise funds in the United States through the Korean Cultural and Freedom Foundation.

*Blue House*—Presidential Mansion of the Republic of Korea.

*Democratic People's Republic of Korea (DPRK)*—North Korea.

*Democratic Republican Party (DRP)*—Ruling political party in South Korea since 1963; organized by Kim Jong Pil in 1962.

*Diplomat National Bank (DNB)*—Washington, D.C. bank founded by Charles Kim in 1975; stated objective was to serve the Asian-American community; came under investigation as a result of disguised stock purchases by Tongsun Park and the Moon Organization.

*Dong-A Ilbo*—A major Korean-language newspaper in Seoul.

*Freedom Leadership Foundation (FLF)*—A political arm of the Moon Organization; founded by Sun Myung Moon in 1969.

*Guam doctrine*—President Richard M. Nixon's new Asian policy, also called the Nixon doctrine, enunciated in Guam, July 25, 1969.

*Korean American Political Association (KAPA)*—Established in San Francisco in 1971 for the purpose of coordinating political activities by Korean-Americans throughout the United States; financed primarily by Unification Church leaders.

*Korean Broadcast System (KBS)*—ROK Government-owned and operated broadcast system in Korea.

*Korean Central Intelligence Agency (KCIA)*—Intelligence organ of the ROK Government, established in 1961 by Kim Jong Pil; has responsibility for both overseas intelligence gathering and internal security; harassed members of the Korean community in the United States and participated in the campaign to influence U.S. policy and public opinion in favor of the ROK Government position.

*Korean Cultural and Freedom Foundation (KCOFF)*—Organized in 1964 by Pak Bo Hi to promote Korean-American relations through cultural and educational programs; was a component of the Moon Organization and was used by the ROK Government to promote political objectives.

*Korean Information Office (KIO)*—Official ROK Government information office in Washington, D.C.; 1 of 44 such offices around the world operated by the ROK Ministry of Culture and Information.

*Little Angels*—A singing and dancing troupe of young Korean girls founded by Sun Myung Moon; used to propagandize for both the Moon Organization and the ROK Government.

*Moon Organization*—Term used in this report to describe the international network of economic, political, religious, cultural, media, and other organizations subject to the control and direction of Sun Myung Moon and his principal aides.

*Radio of Free Asia (ROFA)*—Project of the Korean Cultural and Freedom Foundation for broadcasting anti-Communist propaganda in Korea using facilities provided free of charge by the Korean Government.

*Research Institute on Korean Affairs (RIKA)*—Academic research institute established in the fall of 1970 by Gen. Kang Young Hoon, (ret.) and funded covertly by the KCIA until it closed in 1976; sponsored academic conferences and published an academic journal on Korea.

*Saemaul Undong ("New Village Movement")*—ROK Government program begun in the early 1970's which encouraged self-help efforts by the rural population to improve living conditions through small-scale community public works.

*Tong Il Industries Co. Ltd.*—A component of the Moon Organization; an industrial corporation in Korea engaged in machinery production, including defense contracting; manufactures parts for several weapons systems and in 1977 attempted to obtain permission from an American company to export M-16 rifles.

*Unification Church (UC)*—A religious component of the Moon Organization.

*Yushin Constitution*—Amendments to the ROK Constitution announced in October 1972 which gave unlimited powers to President Park Chung Hee.

*Korean Traders Scholarship Foundation (KTSF)/Korean Traders Association (KTA)*—KTA, through KTSF, made contributions to several U.S. universities; membership of KTA is drawn from leading Korean export firms; ostensibly a private organization; the subcommittee received testimony and saw documentary evidence indicating that the KTA made donations at the direction of the ROK Government.

*Won*—Currency of the Republic of Korea. The officially established exchange rate: 1964 to December 1965, 255 won to one dollar; 1965 to December 1972, 270 won to one dollar; 1972 to December 1974, 400 won to one dollar; 1974 to 1978, 484 won to one dollar.

*Republic of Korea (ROK)*—South Korea.

## II. NAMES

[In the list of names below, American names appear in their usual order, family name last. Similarly, Korean names appear in their usual order, with the family name first. The exceptions are those Koreans who are well-known in the United States; their family names appear last, e.g., Tongsun Park. All names are listed in alphabetical order by family name.]

*Michael Adler*—AID Mission Director and Counselor for Economic Affairs, U.S. Embassy, Seoul, 1971-75; testified before the subcommittee in August 1978.

*Carl Albert*—Speaker of the U.S. House of Representatives, 1971-76.

*Samuel Berger*—U.S. Ambassador to Korea, 1961-64; Deputy Assistant Secretary of State for East Asian and Pacific Affairs, 1965-68.

*Joel Bernstein*—AID Mission Director, Seoul, 1964-67; testified before the subcommittee in August 1978.

*Winthrop Brown*—U.S. Ambassador to Korea, 1964-67; Deputy Assistant Secretary of State for East Asian and Pacific Affairs, 1969-72.

*Arleigh Burke, Admiral (ret.)*—Original chairman of the Board of the Korean Cultural and Freedom Foundation, 1964-65.

*Chang Do Won, Lt. Gen. (ret.)*—Professor of general studies at Western Michigan University; Army Chief of Staff at the time of the 1961 military coup.

*Chang Key Young*—Vice Prime Minister and Minister of the Economic Planning Board of the ROK, 1964-67; vice chairman of the South-North Coordinating Committee, 1972-73; Member of the National Assembly, 1973-75.

*Chang Myon*—ROK Prime Minister, April 1960-May 1961; overthrown by the military coup in 1961.

*Choi Cheyung*—Korean businessman in New York City who received money from a KCIA official; part was used to purchase stock in the Diplomat National Bank.

*Choi Hong Tae*—KCIA official at the ROK Embassy; responsible for the U.S. executive branch.

*Choi Kyu Ha*—ROK Minister of Foreign Affairs, 1967-71; special assistant to President Park for foreign affairs, 1971; prime minister since 1975.

*Choi Sang Ik*—Early follower of Sun Myung Moon; helped establish Moon's movement in Japan and the United States; early financial supporter and official in the Korean American Political Association.

*Chung Il Kwon*—Former army general who served as ROK Ambassador to the United States, 1960-63; Prime Minister, 1964-70; Speaker of the National Assembly since 1973.

*John Coulter*—Retired U.S. Army general; chairman of the board of the Korean Cultural and Freedom Foundation, 1966.

*William Curtin*—Retired military officer; officer of the Korean Cultural and Freedom Foundation, 1964-65.

*Daniel Fefferman*—Secretary-General of the Freedom Leadership Foundation; testified before the subcommittee in July 1977.

*Cornelius Gallagher*—Member of the U.S. House of Representatives (D.-N.J.), (1959-72).

*Marshall Green*—Assistant Secretary of State for East Asian and Pacific Affairs, 1969-73; testified before the subcommittee in March 1978.

*Philip Habib*—U.S. Ambassador to Korea, 1971-74; Assistant Secretary of State for East Asian and Pacific Affairs, 1974-76; Under Secretary of State for Political Affairs, 1976-78.

*Hahn Kwang Neun*—Former publisher of the *Hankook Shinmoon* in Washington, D.C.; identified as having received funds from the KCIA for coordinating pro-Park Government Korean-language media in the United States; left the United States in November 1977.

*Alexander Haig*—General, U.S. Army; Commander of NATO and U.S. Forces in Europe since 1974; White House Chief of Staff, 1973-74; Deputy Assistant to the President for National Security Affairs, 1969-74.

*Han Byung Ki*—Son-in-law of President Park Chung Hee; Deputy Ambassador at the ROK Observer Mission to the United Nations, 1975-76; ROK Ambassador to Canada since 1977.

*Han Sang Gil*—Former ROK Embassy official; ROK Army officer; now aide to Sun Myung Moon.

*Richard Hanna*—Member of the U.S. House of Representatives (D.-Calif.) 1963-74; convicted in 1978 after pleading guilty to charges relating to acceptance of payments from Tongsun Park.

*James C. Hise*—Former Chief of Registration Section of the Department of Justice; testified before the subcommittee in March 1978.

*U. Alexis Johnson*—Under Secretary of State for Political Affairs, 1969-72.

*Anthony Jurich*—Former special assistant to Ambassador David Kennedy; participated in textile negotiations with South Korea.

*Hancho Kim*—Korean-American businessman and a member of the Board of Trustees of American University; convicted in 1978 of conspiracy with the KCIA to bribe U.S. officials.

*Kim Hyung Wook*—A member of the group which carried out the military coup in Korea in 1961; director of the KCIA, 1963-69; living in self-imposed exile in the United States since 1973; testified before the subcommittee in June 1977 and in July and August 1978.

*Kim Il Sung*—Head of state of the Democratic People's Republic of Korea (North Korea).

*Kim Jong Pil*—A principal participant in the 1961 military coup; founder and first director of the KCIA; organizer and first chairman of the Democratic Republic Party; Prime Minister, 1971-75.

*Kim Kwang*—Korean national who in 1970-71 was an aide to Congressman Richard Hanna and Congressman Cornelius Gallagher; identified by U.S. executive branch agencies as connected with the KCIA.

*Kim Un Yong (Mickey Kim)*—Former aide to Kim Jong Pil and counselor at the ROK Embassy; later became an aide to Park Choung Kyu; head of the Korean Tae Kwon Do Association as of 1978.

*Kim Sang In (Steve Kim)*—Aide to Kim Jong Pil; KCIA official; early follower of Sun Myung Moon; associate of Pak Bo Hi and Tongsun Park.

*Kim Dong Jo*—ROK Ambassador to the United States, 1967-73; Minister of Foreign Affairs, 1973-75; Special Assistant to President Park, 1975-78; allegedly made payments to Members of the U.S. Congress and was the subject of diplomatic maneuvers in 1977-78 to obtain his return to the United States during the investigation by the House Committee on Standards of Official Conduct.

*Kim Dong Sung*—Former ROK Minister of Public Information; Operations Director of Radio of Free Asia (ROFA), 1966-67.

*Kim Sang Keun*—KCIA official at ROK Embassy from 1970 until defecting in November 1976; testified before the subcommittee in June 1978.

*Kim Seong Jin*—Adviser to President Park, 1970; Minister of Culture and Information since 1975.

*Kim Song Kon (S. K. Kim)*—Prominent Korean businessman; finance chairman of the Democratic Republican Party from the mid-1960's until 1971; Member of the National Assembly, 1963-71.

*Kang Kyung Koo*—Education attaché at the ROK Embassy from 1970 until resigning in 1976; testified before the subcommittee in June 1978.

*Kang Young Hoon*—Retired ROK Army general; director of the Research Institute on Korean Affairs, Silver Spring, Md., 1970-76; returned to Korea in December 1976.

*Charles Kim (Kim Chang Won)*—Organizer and first chairman of the board of the Diplomat National Bank of Washington, D.C.; helped make arrangements for stock purchases by Tongsun Park and followers of Sun Myung Moon.

*Kim Chong Yom*—Chief of the Blue House Secretariat since 1973.

*Kim Dae Jung*—Former ROK National Assembly Member who ran against President Park as the New Democratic Party presidential candidate in 1971; kidnaped in Tokyo by the KCIA in August 1973 and taken back to Korea; remained imprisoned as of October 1978.

*Kim Yong Shik*—ROK Minister of Foreign Affairs, 1971-73; Ambassador to the United Kingdom, 1974-77; Ambassador to the United States since 1977.

*Kim Yung Hwan*—Former ROK Air Force general; KCIA station chief in Washington, 1974-76.

*Henry A. Kissinger*—Assistant to the President for National Security Affairs, 1969-75; Secretary of State, 1973-77; testified before the subcommittee in April 1978.

*Koh Pum Jun (P. J. Koh)*—Secretary General of the Korean Traders Scholarship Foundation (KTSF); participated in Korean grants to U.S. academic institutions.

*Melvin Laird*—U.S. Secretary of Defense, 1969-72.

*Judith LeJeune*—Employee of the Korean Cultural and Freedom Foundation; secretary to Pak Bo Hi; Diplomat National Bank investor.

*Lee Hu Rak*—Director of the KCIA, 1970-73; assistant military attaché at ROK Embassy during the 1950's; Chief of the Blue House Secretariat, 1963-69; Co-Chairman of the South-North Coordinating Committee during discussions between North and South Korea in 1972-73.

*Lee Jai Hyon*—Chief Information and Cultural Attaché and Director of the Korean Information Office in the United States, ROK Embassy, 1970-73, when he resigned; associate professor of journalism at Western Illinois University since 1974; testified before the subcommittee in June 1975 and June 1976.

*Lee Kwang Jae*—Former KBS announcer and Voice of America employee in Washington; identified as having received funds from the KCIA for his Korean-language media activities in the United States.

*Robert Mardian*—Assistant Attorney General, Internal Security, 1969-73.

*Lawrence Mays*—International Chairman of Radio of Free Asia, 1966.

*William McDonnell*—Former supervisor, Domestic Intelligence Division, Nationalities Unit, FBI; testified before the subcommittee in March 1978.

*John M. Mitchell*—Attorney General, 1969-72; testified before the subcommittee in March 1978.

*Sun Myung Moon*—Head of the Moon Organization; founder of the Unification Church; controls numerous business enterprises in Korea and the United States, including Tong Il Enterprises and News World (a New York-based newspaper), and other organizations including the Korean Cultural and Freedom Foundation, the Little Angels, and the Freedom Leadership Foundation.

*Nam Duck Woo*—ROK Minister of Finance, 1969; Deputy Prime Minister and Minister of the Economic Planning Board (EPB) since 1974.

*John Nidecker*—White House aide during Nixon and Ford administrations; testified before the subcommittee in June 1978.

*Pak Bo Hi*—Special assistant to Sun Myung Moon; assistant military attaché, ROK Embassy, 1961-64; organized the Korean Cultural and Freedom Foundation; testified before the subcommittee in 1978 on his political and financial activities.

*Park Choong Hoon*—Chairman of the Korean Traders Association (KTA) and former ROK Minister of Commerce and Industry.

*Park Chong Kyu*—Head of the ROK Presidential Protective Force until his resignation in 1974; a principal participant in the 1961 military coup.

*Park Chung Hee*—President of the Republic of Korea since 1963.

*Tongsun Park*—Wealthy businessman and major figure in the investigations of Korean influence activities; indicted on 36 counts in 1977; granted immunity from prosecution in exchange for cooperating with the investigations.

*Otto Passman*—Member of the U.S. House of Representatives (D-La.), 1947-76; indicted in 1978 on charges relating to acceptance of payments from Tongsun Park.

*William Porter*—U.S. Ambassador to Korea, 1967-71; Under Secretary of State for Political Affairs, 1973-74.

*Donald Ranard*—Director of the Office of Korean Affairs, Department of State, 1970-74; testified before the subcommittee in March 1976 and 1978.

*Syngman Rhee*—President of the Republic of Korea, 1948-60; forced to resign in 1960.

*William P. Rogers*—Secretary of State, 1969–73.

*Row Chin Hwan*—ROK National Assembly Member and former head of the Washington, D.C. Korean residents association.

*Neil Salonen*—President of the Unification Church of the United States; investor in the Diplomat National Bank.

*Richard Sneider*—U.S. Ambassador to Korea, 1974–78.

*Sohn Ho Young*—Former KCIA official; resigned in 1977 and sought protection of the U.S. Government; testified before the subcommittee in November 1977.

*Suzi Park Thomson*—Former aide to several Members of the House of Representatives; identified by U.S. executive branch agencies as connected with the KCIA.

*Cyrus R. Vance*—Special emissary of President Johnson to Korea in 1968 following raid on the Blue House and capture of the U.S.S. *Pueblo*; Secretary of State since 1977.

*Yang Doo Won (Lee Sang Ho)*—KCIA station chief at the ROK Embassy, 1972–74; returned to Korea at the request of the State Department; became KCIA Deputy Director for Security in Seoul.

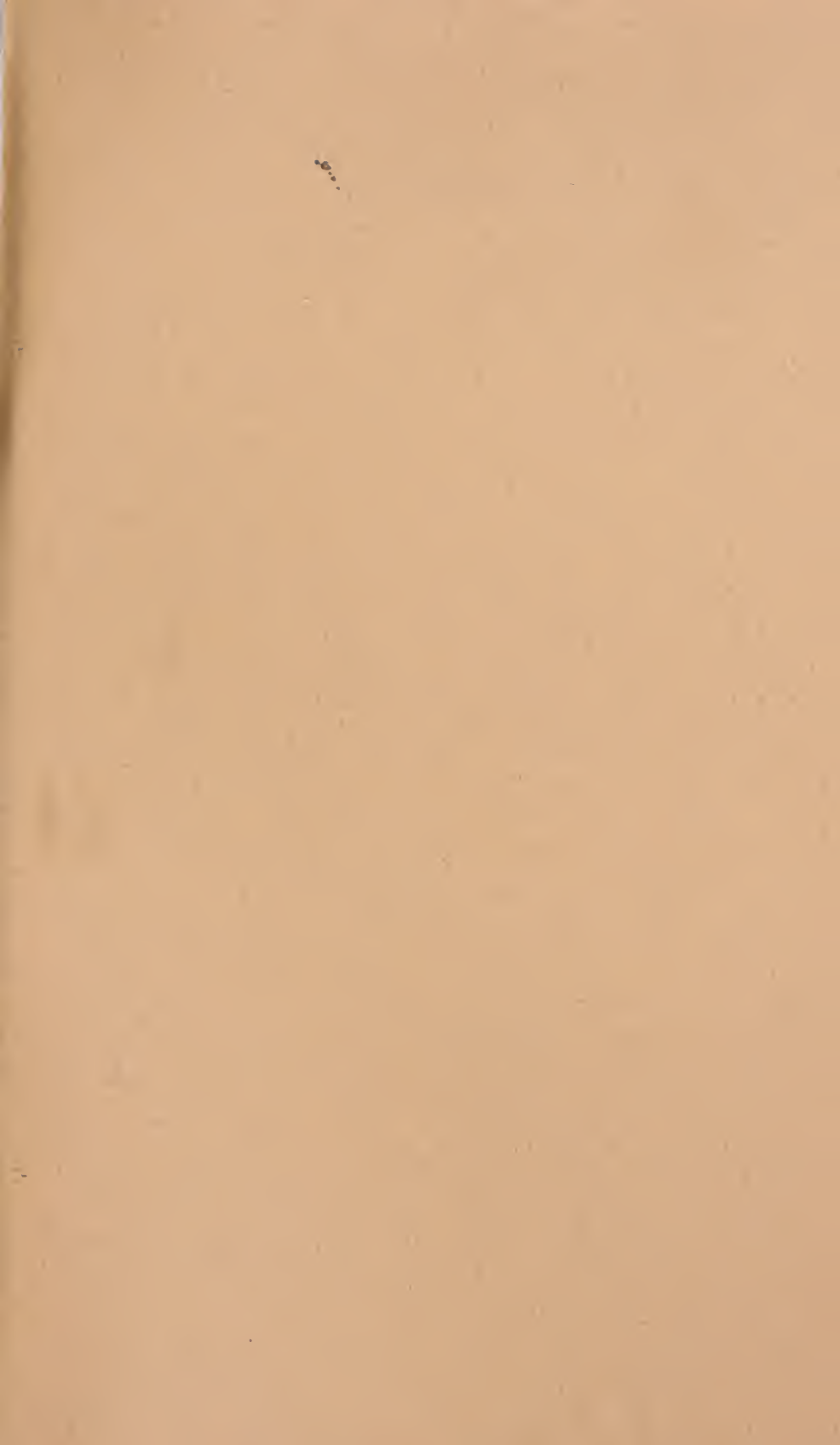
*Yang You Chan*—ROK Ambassador to the United States under the Rhee Government; early organizer of the Korean Cultural and Freedom Foundation.



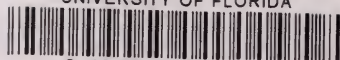








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