

U.S. Defense Aides Linked to Rigging Of Bids in S. Korea

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Army investigators have obtained sworn statements alleging that some Defense Department employees overseas are part of the ring that has been rigging bids on U.S. military contracts in South Korea.

In one such statement, a Korean businessman told the Army's Criminal Investigation Division that several U.S. procurement officials in Korea were bribed from the start to the finish of the contracting process.

The first bit of key information sought by the Korean Military Contractors Association was the maximum amount of money the American military would pay to Korean firms for anything from janitorial services to furnaces to new barracks, according to the pattern pieced together by Army investigators in Korea.

Once the Korean contractors' association found out how much the traffic would bear, it would select one of its members to bid within 1 per cent of that maximum figure, according to the Army's investigative file on U.S. military procurement in Korea.

This competition-killing practice has been costing American taxpayers millions of dollars in overcharges every year, according to Army officials.

Once a Korean firm got the U.S. contract, bribes were then allegedly passed to U.S. procurement officials who were supposed to keep track of how the work was being performed.

The Army investigation to date has provided substantial documentation of the fixed bidding arrangement, but the Pentagon said that allegations about bribing of U.S. personnel or other irregularities are still under investigation by the Army and Air Force.

Alan Woods, assistant secretary of defense for public affairs, said that "the irregularities uncovered" in the contracting in Korea "were predominantly on the part of Korean contractors with some possible instances of U.S. personnel involvement, both military and civilian."

The Army Criminal Investigation Division, in summarizing a sworn

statement it obtained from a Korean businessman, reported that "money is paid to unknown U.S. cost estimators to inflate the independent government cost estimate," which establishes what the U.S. military should pay for a given job in Korea.

"Informant further stated that the U.S. Army pre-award survey team in-

spectors received payoffs, the contract specialists receive payoffs and even the finance clerks receive payoffs from the Korean contractors," the investigators reported.

Although an Army review team that assessed military contracting policies in Korea during a field trip last November did not make such specific charges of irregularities, it did write in its report:

"The Korean Military Contractors Association has and is able to maintain extensive connections with personnel employed by the USFK (U.S. Forces, Korea), and as a result unauthorized procurement information flows to the association. Korean contractors are known to have access to USFK procurement requirements and cost estimates prior to their receipt in KPA"—the acronym for the U.S. Army's Korea Procurement Agency.

The survey team's procurement management review report is dated June 30, 1976. But the Pentagon so far has declined to release it to the public.

Army investigators also turned up a letter from the South Korean minister of commerce and industry which indicates that the Seoul government expected the Korean Military Contractors Association to enforce non-competitive bidding for American contracts.

"A few irresponsible firms," said the minister in the Aug. 29, 1975, letter in the Army's investigative file, "have offered unreasonably low dumping prices, not only to bring loss in foreign currency but also to create social criticism that has caused disorder in the industry."

Air Force Lt. Gen. John Murphy, American representative on the joint U.S.-Korean committee to implement the status-of-forces agreement covering U.S. troops in that country, has complained to his South Korean counterpart that Korean contractors make as much as 40 per cent to 50 per cent profit on the \$24 million in yearly U.S. military contracts with Korean firms.

"At the heart of this matter," Murphy wrote on June 13, 1975, "There appears to be a basic assumption among Republic of Korea government officials and some Korean businessmen that foreign exchange is more important than the fulfillment of U.S. government rights under the provisions of the U.S.-ROK status-of-forces agreement in building a strong mutual defense."