

Exchange of Notes at Beijing, March 15, 1996
Entered into force March 15, 1996

Exchange of Notes between
the Government of the Republic of Korea
and
the Government of the People ' s Republic of China
concerning Loans from the Economic Development Cooperation Fund

(Korean Proposing Note)

Beijing, March 15, 1996

Excellency,

I have the honour to confirm the following understanding recently reached between the Government of the Republic of Korea and the Government of the People ' s Republic of China in accordance with the Agreement signed on November 14, 1995 between the two Governments concerning the extension of loans from the Economic Development Cooperation Fund (hereinafter referred to as "the EDCF") of the Government of the Republic of Korea.

1. (1) The Government of the Republic of Korea shall enable the Government of the People ' s Republic of China to obtain five loans (hereinafter referred to as "the Loans") in Korean Won up to the total amount of FIFTY-SIX BILLION NINE HUNDRED FOURTEEN MILLION KOREAN WON (₩56,914,000,000) from the Export-Import Bank of Korea (hereinafter referred to as "the Bank"), the Government Agency for the EDCF, for the implementation of the following projects (hereinafter referred to as "the Projects").

(2) The Goernment of the People ' s Republic of China, acting through the Ministry of Foreign Trade and Economic cooperation (MOFTEC), hereby designates the Industrial and Commercial Bank of China as the Borrower for Project A, the Bank of China as the Borrower for Project B, C, D and E and guarantees the due and punctual payment of the Principal of the Loans and accrued interest thereon as well as all other amounts due and payable by theBorrowers under the Loans.

2. The terms and conditions of the loans, as well as the procedures for its utilization will be governed by the loan agreements (hereinafter referred to as "theLoan Agreements") which will be concluded between the Borrowers and the Bank, and contain, inter alia, the following principles:

- (1) The repayment period will be twenty (20) years including a grace period of five (5) years;
- (2) The interest rate will be three percent (3.0%) per annum; and
- (3) A service charge of 0.1% of the amount of each disbursement in case of Direct Payment Procedure, or of the amount of the letter of commitment in case of Letter of Credit Procedure, shall be collected by the Bank, and all the banking charges and/or expenses for services rendered by commercial banks in connection with disbursement of the proceeds of the Loan, repayment of principal or

payment of interest payable to the Bank under the Loan Agreement are subject to an arrangement to be concluded between the commercial banks concerned of the two countries.

3. (1) The eligible source countries for the procurement of goods and services required for the Projects shall be the Republic of Korea; provided that the People's Republic of China and/or any third country may be allowed within specified amount to be approved by the Bank, if it is not economical to purchase any goods from the Republic of Korea in case of Projects A and C.
 - (2) The suppliers of goods and services necessary for the implementation of the Project shall be selected through limited international bidding or direct contracting among suppliers of the eligible source countries.
 - (3) The goods which contain materials imported from countries other than the eligible source countries may be eligible for financing under the Loan, if the imported portion is less than fifty percent (50%) of the price per unit of such products. A formula for calculating the ratio of such imported portion will be stated in the Loan Agreements.
 - (4) Detailed methods and procedures of procurement will be agreed upon between the Ministry of Foreign Trade and Economic Cooperation (MOFTEC) and the Bank.
4. Should the funds available from the proceeds of the Loans be insufficient for the implementation of the Projects, the Chinese Government shall make prompt arrangement to provide such funds as shall be needed.
5. The proceeds of the Loans shall be disbursed by the Bank to or on behalf of the Borrowers in accordance with the progress of the Projects, up to the amount of the Loan, and within the disbursement period specified in the Loan Agreements and in accordance with disbursement procedures of the Loan Agreements.
6. Other terms and conditions to be specified in the Loan Agreement shall be determined through negotiations between the Borrowers and the Bank.
7. This agreement shall remain in force, unless otherwise agreed upon, until the Borrowers perform all the obligations under the loan Agreements.

If the above provisions are acceptable to the Government of the People's Republic of China, this Note and Your Excellency's Note in reply to that effect shall be regarded as constituting an agreement between the two Governments on this matter, which enters into force on the date of Your Excellency's Note in reply.

I avail myself of this opportunity to renew to Your Excellency the assurances of my highest consideration.

/Sgd./
Chunng Chong-wook
Ambassador Extraordinary and
Plenipotentiary of the Republic of Korea

Gu Yongjiang

Vice Minister
Ministry of Foreign Trade and
Economic Cooperation of
the People ' s Republic of China

(Chinese Reply Note)

March 15, 1996

Excellency,

I have the honour to acknowledge the receipt of Your Excellency ' s Note of today,
which reads as follows:

“..... (Korean Proposing Note)“

I have further the honour to inform Your Excellency that the foregoing proposal is
acceptable to the Government of the People ' s Republic of China and to Agree that Your
Excellency ' s Note and this Note in reply shall constitute an agreement between the two
Governments, which will enter into force on the date of this Note in reply.

I avail myself of this opportunity to renew to Your Excellency the assurances of my
highest consideration.

/Sgd./
Gu Yongjiang
Vice Minister
Ministry of Foreign Trade and
Economic Cooperation of the
People ' s Republic of China

Chunng Chong-wook
Ambassador Extraordinary and
Plenipotentiary of the Republic of Korea