

Signed at Beijing November 21, 1997
Entered into force November 21, 1997

**Arrangement between
the Government of the Republic of Korea and
the Government of the People ' s Republic of China
concerning the Second Phase-Third Loans
from the Economic Development Cooperation Fund**

In accordance with Article 2 of the Agreement signed on November 14, 1995 between the Government of the Republic of Korea and the Government of the People ' s Republic of China concerning the extension of loans from the Economic Development Cooperation Fund of the Government of the Republic of Korea (hereinafter referred to as the "EDCF"), the Government of the Republic of Korea and the Government of the People ' s Republic of China have agreed as follows ;

1. (1) The Government of the Republic of Korea shall enable the Government of the People ' s Republic of China to obtain nine loans in Korean Won up to the total amount of FORTY-EIGHT BILLION FOUR HUNDRED EIGHTEEN MILLION KOREAN WON (₩48,418,000,000) (hereinafter referred to as the "Loans" collectively and the "Loan" singularly) 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 nine projects (hereinafter referred to as the "Project");

Loan Amount

Name of Project (in Million Korean Won)

- A. Jingtang Port Number 2 Basin Construction 10,773 Project
- B. Mudanjiang-Ningan Section of He-Da 13,466 Highway Construction Project
- C. Yingkow Water Supply Project 4,471
- D. Wuwei Water Supply Project 4,444
- E. Kunming City Elevated Highway Construction 4,489 Project
- F. Lianghui-Shoudong Class 1 Highway 4,399 Construction Project
- G. Chengde Textile Machinery Innovation Project 2,335
- H. Huangshi City Processing Equipments for 2,245 Tractors Renovation Project
- I. Taiyuan City Health Material Plant Construction 1,796 Project

- (2) The Government of the People ' s Republic of China, acting through the Ministry of Foreign Trade and Economic Cooperation, hereby designates as the Borrower the Industrial and Commercial Bank of China for Projects A, B, C, G and I, the China Construction Bank for Projects D, E, F and H, and guarantees the due and punctual repayment of the principal of each Loan and payment of the accrued interest thereon as well as all other amounts due and payable by the relevant borrower under each Loan. However, any change among such banks may be made by the prior notice of the Ministry of Foreign Trade and Economic Cooperation to the Bank.

2. The terms and conditions of each Loan, as well as the procedures for its utilization

shall be governed by the loan agreement (hereinafter referred to as the "Loan Agreement") which will be concluded between the relevant Borrower and the Bank, and contain, inter alia, the following principles;

- (1) The repayment period shall be thirty (30) years including a grace period of ten (10) years;
 - (2) The interest rate shall be two point zero percent (2.0%) per annum; and
 - (3) A service charge of one tenth of one percent (0.1%) of the amount of each disbursement in case of the Direct Payment Procedure, or of the amount of the letter of commitment in case of the Commitment Procedure, shall be paid to the Bank by the Borrower. And all the banking charges and/or expenses in connection with disbursement of the proceeds of the Loan, repayment of the principal or payment of the interest under the Loan Agreement shall be subject to the banking arrangement to be concluded between the Borrower and Korean commercial bank designated by the Bank.
3. (1) The eligible source country for the procurement of goods and/or services for the implementation of the Project shall be the Republic of Korea; provided that the procurement from the People's Republic of China and/or any third country may be allowed within any specified amount to be approved by the Bank, if it is neither available nor economical to purchase any certain goods and/or services from the Republic of Korea.
- (2) The suppliers of goods and/or 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 and/or services which contain any imported portion from any country other than the eligible source countries may be eligible for financing under the Loan, if such 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 Agreement.
4. Should any cost-overflow occur during the implementation of the Project, the Government of the People's Republic of China shall make prompt arrangements to fund such cost-overflow as shall be needed.
5. The proceeds of the Loan shall be disbursed by the Bank to or on behalf of the Borrower in accordance with the progress of the Project, up to the amount of the Loan and within the disbursement period specified in the Loan Agreement, and in accordance with disbursement procedures of the Loan Agreement.
6. Any other terms and conditions for the implementation of the Project shall be specified in the Loan Agreement to be concluded between the Borrowers and the Bank.
7. This Arrangement shall enter into force on the date of signature and shall remain in force, unless otherwise agreed upon, until all the Borrowers perform all the obligations under all the Loan Agreements.

IN WITNESS WHEREOF, the undersigned, being duly authorized thereto by their respective Governments, have signed this Arrangement.

Done in duplicate at Beijing this 21st day of November, 1997 in the English language.

FOR THE GOVERNMENT OF
THE REPUBLIC OF KOREA

FOR THE GOVERNMENT OF
THE PEOPLE ' S REPUBLIC OF CHINA