

Signed at Beijing December 26, 2003
Entered into force December 26, 2003

**ARRANGEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF KOREA AND THE
GOVERNMENT OF THE PEOPLE ' S REPUBLIC OF CHINA CONCERNING THE SECOND
PHASE-SIXTH LOAN FROM THE ECONOMIC DEVELOPMENT COOPERATION FUND**

The Government of the Republic of Korea and the Government of the People ' s Republic of China (hereinafter referred to as "the Contracting Parties"), in accordance with the Agreement 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 (hereinafter referred to as "the EDCF") signed on November 14, 1995, have agreed as follows:

Article 1

1. The Government of the Republic of Korea shall enable the Government of the People ' s Republic of China to obtain a loan (hereinafter referred to as "the Loan") from the Export-Import Bank of Korea (hereinafter referred to as "the Bank"), the government agency for the EDCF, for the implementation of the Ministry of Agriculture, Paddy Mechanization Project in Four (4) Provinces (Hunan, Hubei, Anhui, Yunnan) (hereinafter referred to as "the Project").

2. The Government of the People ' s Republic of China, acting through the Ministry of Finance, hereby designates the Export-Import Bank of China as the Borrower and guarantees the due and punctual repayment of the principal of the Loan and payment of the accrued interest thereon as well as all other amounts due and payable by the Borrower under the Loan. However, the change of the Borrower may be made by the prior notice to the Bank from the Ministry of Finance.

3. The Loan amount shall be denominated in Korean Won. The amount of the Loan shall not exceed the equivalent of twenty five million US dollars (US \$25,000,000) and shall be fixed in Korean Won in accordance with the relevant provisions of a loan agreement to be concluded between the Borrower and the Bank (hereinafter referred to as "the Loan Agreement").

Article 2

The terms and conditions of the Loan, as well as the procedures for its utilization, shall be governed by the Loan Agreement, which shall 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 five percent (2.5%) per annum;

3. A service charge of one-tenth of one percent (0.1%) of the amount of each disbursement in case of a direct payment procedure, or of the amount specified in the letter of commitment in case of a commitment procedure, shall be collected by the Bank. All banking charges and/or costs for services rendered by commercial banks in connection with disbursements of the proceeds of the Loan, repayment of principal or payment of interest payable to the Bank under the Loan Agreement shall be subject to banking arrangements to be concluded between the Borrower and the Korean commercial bank designated by the Bank; and

4. In the event the Borrower fails to make payment of all or any portion of the principal of the Loan or any other amount when due under the Loan Agreement, the unpaid amount shall bear an overdue charge at the rate of two percent (2%) per annum above the interest rate.

Article 3

1. The eligible source country for the procurement of goods and services required for the Project shall be the Republic of Korea. Procurement for the Project from the People 's Republic of China and/or any third country may be allowed with the prior consent of the Bank for up to five million three hundred thousand US Dollars (US\$5,300,000) of the Loan amount, if it i impossible or uneconomical to purchase any goods and services from the eligible source country.

2. The suppliers of goods and services necessary for the implementation of the Project shall be selected through limited international bidding among companies of the eligible source country.

3. The procurement contract shall be concluded within eighteen (18) months after the effective date of the Loan Agreement.

4. Details of the methods and procedures of procurement shall be governed by the Loan Agreement.

Article 4

In the event the funds available from the proceeds of the Loan are insufficient for the full implementation of the Project, the Government of the People 's Republic of China shall promptly make arrangements to provide such funds as are needed.

Article 5

The proceeds of the Loan shall be disbursed by the Bank to the Borrower or, to the supplier 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 the disbursement procedure under the Loan Agreement.

Article 6

Other terms and conditions to be specified in the Loan Agreement shall be determined through negotiations between the Borrower and the Bank.

Article 7

This Arrangement shall enter into force on the date of signature and shall remain effective, unless otherwise agreed upon by the Contracting Parties, until the Borrower performs all the obligations under the Loan Agreement.

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

DUE in duplicate at Beijing on this 26th day of December 2003, in the English language, all texts being equally authentic.

FOR THE GOVERNMENT OF
THE REPUBLIC OF KOREA

FOR THE GOVERNMENT OF
THE PEOPLE ' S REPUBLIC OF CHINA