

Exchange of Notes at Beijing June 24, 2008

Entered into force June 24, 2008

Exchange of Notes

(Korean Proposing Note)

Beijing, June 24, 2008

Excellency,

I have the honor to refer to the recent discussions held between the representatives of the Governments of the Republic of Korea and the People's Republic of China concerning the Ulanbuhe Desert Control Project in Bayannur, Inner Mongolia Autonomous Region, China (hereinafter referred to as "the Project") to be provided by the Korean Government through the Korea International Cooperation Agency (hereinafter referred to as "KOICA") with a view to strengthening the friendly and cooperative relations between the two countries, and, to propose on behalf of the Government of the Republic of Korea the following arrangements in accordance with the Agreement on Scientific and technological Cooperation between the Government of the Republic of Korea and the Government of the People's Republic of China signed on September 30, 1992:

1. For the purpose of contributing to the combat of desertification in the People's Republic of China, the Government of the Republic of Korea shall provide the Government of the People's Republic of China with grant aid (hereinafter referred to as "the Grant") including the dispatch of experts, the invitation of trainees and the provision of equipment up to the value of one million US Dollars (\$1,000,000) for the implementation of the Project over the next three years (2008-2010) in accordance with the relevant laws and regulations of the Republic of Korea.
2. The Government of the People's Republic of China shall take the necessary measures to:
 - (a) ensure the prompt unloading and customs clearance at ports of disembarkation in the People's Republic of China of the materials and equipment provided under the Grant and facilitate the internal transportation of such materials and equipment;
 - (b) exempt Korean equipment from customs duties, internal taxes, dues and other fiscal levies which may be imposed in the People's Republic of China with respect to the supply of the products and services provided by the Republic of Korea;

- (c) grant all Korean personnel involved in the Project exemption from customs duties, internal taxes and other charges which may be imposed in the People's Republic of China on such materials and equipment as vehicles, furniture and other personal effects, brought by them into Chinese territory in connection with the performance of their duties;
- (d) accord all Korean personnel involved in the Project such facilities as may be necessary for their entry into the People's Republic of China and their stay therein for the performance of their work;
- (e) ensure that the products purchased under the Grant be maintained and used properly and effectively for the implementation of the Project; and
- (f) bear all expenses, other than those covered by the Grant, necessary for the implementation of the Project.

3. Detailed plans for the Project implementation are stipulated in the "Record of Discussion" signed between representatives of KOICA and the State Forestry Administration of the People's Republic of China on January 28, 2008, the "Terms of Reference" of which is attached hereto as the Appendix to this Note.

4. The Governments of the Republic of Korea and the People's Republic of China shall consult each other on any matter that may arise from or in connection with the present Notes.

If the foregoing arrangements are acceptable to the Government of the People's Republic of China, I have further the honor to propose that this Note and Your Excellency's Note in reply shall be regarded as constituting an agreement between our two Governments on this matter, which shall enter into force on the date of Your Excellency's Note in reply and shall be terminated by either Government by giving to the other six months' prior written notice of its intention to terminate it.

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

Appendix: Terms of Reference

Shin Jung-seung
Ambassador Extraordinary and
Plenipotentiary of the Republic of Korea
to the People's Republic of China

His Excellency
Mr. YI Xiaozhun
Vice Minister
Ministry of Commerce

the People's Republic of China

APPENDIX

Terms of Reference

I. Outline of the Project

1. Title

Ulanbuhe Desert Control Project in Bayannur, Inner Mongolia Autonomous Region, China (hereinafter referred to as the "Project")

2. Objective

The Project's objectives are to

- A. Restore the desertified area through the support for the afforestation activities of the Chinese Government in Bayannur;
- B. Introduce and spread the advanced technology of seedling production system in China;
- C. Exchange information between the two countries on forest conservation and sustainable forestation;
- D. Build up a closer partnership between the two countries.

3. Duration

The duration of the Project will be three years (2008~2010). However, the actual duration of the Project will be three years from the actual commencement date of the Project and could be adjusted, considering the progress of the Project.

4. Project Site

The Project site is located in the south-western districts of the Bayannur City adjacent to the Ulanbuhe Desert. However, the detailed and exact location(s) of the Project site(s) will be fixed by mutual consultation.

5. Budget for the Project

- A. The Korean Government shall provide grant aid equivalent to not more than 1 million US Dollars (US\$1,000,000) for the Project.
- B. The Chinese Government shall secure and input a sufficient sum for the successful implementation of the Project.

6. Cooperation between Two Governments

The two Governments shall closely cooperate to successfully implement the Project through following measures:

- A. Financial support for the Project, for afforestation works, in particular;

- B. Provision of the essential equipment and materials;
- C. Dispatch of Korean experts to China;
- D. Training of Chinese officials and experts in Korea.

7. Implementing Agencies

The implementing agencies of the two sides are as follows:

- A. On behalf of the Republic of Korea: the Korea International Cooperation Agency (KOICA);
- B. On behalf of the People's Republic of China: the State Forestry Administration.

II. Undertakings of the Respective Governments

1. Undertakings of the Republic of Korea

In accordance with the laws and regulations in effect in the Republic of Korea, and within the budgetary limitations indicated in Article 1.5A, KOICA, on behalf of the Government of the Republic of Korea, shall assist the Government of the People's Republic of China through the following activities:

A. Financial Support for Afforestation

KOICA shall provide financial support for seedlings (1,000 hectares) after deciding the species of seedlings and a detailed expenditure plan through mutual consultation between the two sides.

B. Provision of Equipment and Materials for the Project

- 1) KOICA shall provide the equipment and materials necessary for the implementation of the Project. A tentative list of items and quantities of such equipment is attached hereto as Attachment 1.
- 2) KOICA shall dispatch experts to supervise the installation of the equipment and instruct Chinese technicians on the operation and maintenance of the equipment, if necessary.

C. Dispatch of Korean Experts to China

- 1) KOICA shall dispatch Korean experts to the People's Republic of China to provide the necessary technical guidance and advice related to the implementation of the Project. The fields of their expertise and the duration of their stay are as follows:
 - a) Project management: 4 man-months
 - b) Nursery management: 4 man-months
 - c) Erosion control: 4 man-months
 - d) Forest environment: 3 man-months
 - e) Afforestation: 3 man-months
- 2) The number of experts, their areas of expertise and the duration of their stay will be subject to change depending on the implementation progress of the Project.

D. Training of Chinese Officials and Experts in Korea

- 1) KOICA shall invite twenty (20) Chinese Governmental officials and experts to get training in Korea and will transfer the knowledge and skills necessary for the implementation of the Project. The details of such training will be as follows:
 - a) Forest management and afforestation: 8 persons for 10 days;
 - b) Seed, nursery management and afforestation: 12 persons for 14 days.
- 2) The number of participants and the duration of the training are subject to change depending on the implementation progress of the Project.

2. Undertakings of the People's Republic of China

The Chinese Government shall, in accordance with its domestic laws and regulations, take the following measures necessary for the successful implementation of the Project:

A. Administrative Measures

- a) The Chinese Government shall provide legally undisputed land as the Project sites and ensure that there will be no change of their location without mutual consultation.
- b) The Chinese Government shall designate a responsible organization and personnel to prepare for and implement the Project.
- c) The Chinese Government shall secure sufficient budget and manpower for the self-sufficient operation of the Project during and after the period of the Project.
- d) The Chinese Government shall provide necessary manpower to the Project sites such as assistant personnel, security guards and administrators.
- e) The Chinese Government shall obtain from the authorities concerned all necessary approvals and consents required by the laws and regulations in effect in the People's Republic of China and settle all legal matters which may be brought about related to the implementation of the Project.
- f) The Chinese Government shall provide the information and documents necessary for the completion of the Project in the English language.

B. Measures for Equipment and Materials Granted by the Korean Government.

- a) The Chinese Government shall provide reasonable spaces and facilities at the Project sites for the installation of the equipment.
- b) The Chinese Government shall complete the connection of electricity, water, internet and other services, before the delivery and installation of the equipment and materials begins.
- c) The Chinese Government shall promptly complete customs clearance of the equipment and materials to be imported from overseas for the Project, and shall exempt the equipment and materials from any

harbor duties, import duties, and other taxes or public charges.

- d) The Chinese Government shall bear the costs of unloading, inland transportation and insurance for the equipment and materials from the port of discharge to the Project sites in China.
- e) The Chinese Government shall ensure the proper and effective operation and maintenance of the equipment.
- f) The Chinese Government shall bear the costs of storage, operation, maintenance and repair of the equipment and materials after the completion of the Project.
- g) The Chinese Government shall supply or replace equipment, instruments, furniture, vehicles, spare parts and other materials required for the implementation of the Project, other than those granted by the Korean Government.
- h) The Chinese Government shall use the equipment and materials granted by the Korean Government exclusively for the Project.

C. Measures for Korean Experts

- a) The Chinese Government shall ensure the Korean experts' safety and provide them with medical assistance in the case of emergencies.
- b) The Chinese Government shall grant the Korean experts privileges, exemptions and benefits no less favorable than those granted to the experts of other countries performing similar missions.
- c) The Chinese Government shall provide exemption from taxes, duties, levies and other charges imposed under the Chinese laws and regulations in respect of the equipment, vehicles, materials and supplies brought by the Korean experts into the territory of the People's Republic of China, which may be subsequently removed from Chinese territory unless mutually agreed upon.
- d) The Chinese Government shall provide the necessary co-workers and/or assistance personnel required for the Korean experts' effective activities.
- e) The Chinese Government shall provide the necessary maps, relevant data, statistics and documents the Korean experts may require in conducting their mission, in accordance with relevant laws and regulations of China.
- f) The Chinese Government shall provide suitable office, furniture and other appliances which may be required for carrying out their duties at the Project sites.
- g) The Chinese Government shall issue the necessary permits, authorizations and travel documents, etc. required for the Korean experts' stay in China.
- h) The Chinese Government shall protect the Korean personnel from any claim against them resulting from, occurring in the course of, or

otherwise connected with, the performance of the tasks assigned to them in the People's Republic of China except for those arising from willful misconduct or gross negligence on the part of them.

D. Measures for Training

- a) The Chinese Government shall nominate qualified candidates with a good command of English for the training courses in Korea no later than one month in advance of the commencement of the training courses.
- b) The Chinese Government shall ensure that the nominees will work for the Project and be available for employment in connection with the Project after their training in Korea.

III. Initiation of the Project

The Project will be initiated by the exchange of Note between the Embassy of the Republic of Korea to the People's Republic of China and the Ministry of Commerce of the People's Republic of China

IV. Mutual Consultation

Any major issues arising from, or in connection with, this Project Document shall be resolved by mutual consultation. Further revisions and/or changes to this Project Document may be made, if necessary, by mutual written consent of the two parties.

V. Reports

The Chinese Government shall submit to the Korean Government annual reports regarding the progress of the Project as well as special reports such as the commencement report, interim reports and the final reports of the afforestation works which will be conducted under a separate arrangement on "Supply of Seedling and Afforestation Works" between the two sides.

VI. Evaluation of the Project

A joint team appointed by the two Governments will undertake an evaluation of the Project after the completion of the Project. In accordance with results of the evaluation, each Government shall take necessary measures, if there is any.

VII. Promotion of Understanding and Support for the Project

1. For the purpose of promoting awareness among the local public with regard to the Project, the Chinese Government shall take appropriate measures to publicize the Project to the people of the People's Republic of China.

2. The Chinese Government shall organize and host completion ceremonies, and shall design, manufacture and install commemoration monuments at each Project site, signifying the completion of the Project. Further details of such ceremonies and monuments shall be decided by mutual consultation. In particular, details of the form, material, size, location and wording of the monuments shall be fully discussed in advance before the design and manufacture of such monuments.

VIII. General Schedule for Implementation of the Project

The general schedule for the Project is attached hereto as Attachment 2. However, the actual schedule and details shall be decided and may be amended after further consultation between the two sides.

Attachments : 1. Tentative List of Equipment and Materials
2. General Schedule for the Project

< Attachment 1 > Tentative List of Equipment and Materials

* The equipment will be provided within KOICA's budget limitation.

| No. | Item | Specification | Quantity |
|---------------------------------------|-------------------------------|--|----------|
| A. Facilities for Seedling Production | | | |
| 1 | House for seedling production | Polyethylene film house (180m ² area) | 1 |
| 2 | Fertilization systems | Dosatron D8R set | 1 |
| 3 | Irrigation systems | Sprinkler set(SS+100/50cm) | 200 |
| 4 | Types of container | KK-SI 15(15cavities/tray) | 1,250 |
| 5 | Container benches | W2.3m*L25m*H10cm | 4 |
| 6 | Motor | 2hp | 2 |
| 7 | Artificial growing media | 50 ℓ /pack | 750 |
| 8 | Fertilization | Multifeed 19(20kg/pack) | 30 |
| 9 | Hand carts | | 2 |
| 10 | Portable sprayers | 5 hp | 2 |
| B. Vehicles | | | |
| 1 | Jeep | Jeep. 2500cc | 3 |
| 2 | Truck | 1.5 ton Truck | 1 |

(Chinese Note in Reply)

Beijing, June 24, 2008

Excellency,

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

"Excellency,

I have the honor to refer to the recent discussions held between the representatives of the Governments of the Republic of Korea and the People's Republic of China concerning the Ulanbuhe Desert Control Project in Bayannur, Inner Mongolia Autonomous Region, China (hereinafter referred to as "the Project") to be provided by the Korean Government through the Korea International Cooperation Agency (hereinafter referred to as "KOICA") with a view to strengthening the friendly and cooperative relations between the two countries, and, to propose on behalf of the Government of the Republic of Korea the following arrangements in accordance with the Agreement on Scientific and technological Cooperation between the Government of the Republic of Korea and the Government of the People's Republic of China signed on September 30, 1992:

1. For the purpose of contributing to the combat of desertification in the People's Republic of China, the Government of the Republic of Korea shall provide the Government of the People's Republic of China with grant aid (hereinafter referred to as "the Grant") including the dispatch of experts, the invitation of trainees and the provision of equipment up to the value of one million US Dollars (\$1,000,000) for the implementation of the Project over the next three years (2008-2010) in accordance with the relevant laws and regulations of the Republic of Korea.
2. The Government of the People's Republic of China shall take the necessary measures to:
 - (a) ensure the prompt unloading and customs clearance at ports of disembarkation in the People's Republic of China of the materials and equipment provided under the Grant and facilitate the internal transportation of such materials and equipment;
 - (b) exempt Korean equipment from customs duties, internal taxes, dues and other fiscal levies which may be imposed in the People's Republic of China with respect to the supply of the products and services provided by the Republic of Korea;
 - (c) grant all Korean personnel involved in the Project exemption from customs duties, internal taxes and other charges which may be imposed in the People's Republic of China on such materials and equipment as vehicles, furniture and other personal effects, brought by them into Chinese territory in connection with the performance of their duties;
 - (d) accord all Korean personnel involved in the Project such facilities as may be necessary for their entry into the People's Republic of China and their stay

- therein for the performance of their work;
- (e) ensure that the products purchased under the Grant be maintained and used properly and effectively for the implementation of the Project; and
 - (f) bear all expenses, other than those covered by the Grant, necessary for the implementation of the Project.

3. Detailed plans for the Project implementation are stipulated in the "Record of Discussion" signed between representatives of KOICA and the State Forestry Administration of the People's Republic of China on January 28, 2008, the "Terms of Reference" of which is attached hereto as the Appendix to this Note.

4. The Governments of the Republic of Korea and the People's Republic of China shall consult each other on any matter that may arise from or in connection with the present Notes.

If the foregoing arrangements are acceptable to the Government of the People's Republic of China, I have further the honor to propose that this Note and Your Excellency's Note in reply shall be regarded as constituting an agreement between our two Governments on this matter, which shall enter into force on the date of Your Excellency's Note in reply and shall be terminated by either Government by giving to the other six months' prior written notice of its intention to terminate it.

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

I have further the honor to confirm to Your Excellency that the foregoing proposal is acceptable to the Government of the People's Republic of China and that Your Excellency's Note and this Note in reply shall constitute an agreement between our two Governments on this matter, which shall enter into force on the date of this Note in reply and shall be terminated by either Government by giving to the other six months' prior written notice of its intention to terminate it.

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

Appendix: Terms of Reference

YI Xiaozhun
Vice Minister
Ministry of Commerce
the People's Republic of China

His Excellency
Mr. Shin Jung-seung
Ambassador Extraordinary and
Plenipotentiary of the Republic of Korea
to the People's Republic of China