

Signed at Seoul June 2, 1950  
and at Tokyo June 6, 1950  
Entered into force April 1, 1950

## **Financial Agreement for Trade between the Republic of Korea and Occupied Japan**

### **ARTICLE 1**

The purpose of this document is to establish a Financial Agreement for trade between the Government of the Republic of Korea (hereinafter referred to as Korea) and Occupied Japan (hereinafter referred to as Japan).

### **ARTICLE 2**

An account in terms of United States of America dollars designated as the Korea-Japan Open Account (hereinafter called the Account) shall be maintained on the books of the Bank of Japan in Tokyo, Japan (hereinafter referred to as the Bank). For the purposes expressed in this Agreement the Bank is designated as agent for the Supreme Commander for the Allied Powers acting in respect of Japan, and shall act as correspondent for the Bank hereinafter to be designated as the agent of the Government of the Republic of Korea.

### **ARTICLE 3**

Except as otherwise provided, all transactions in regard to trade, including services between Korea and Japan shall be entered in this Account. The value of all exports from Korea to Japan shall be credited to this Account and the value of all imports to Korea from Japan shall be debited to this Account Interest in Japan.

### **ARTICLE 4**

A statement of the Account as of the last day of each month shall be furnished by the Bank of Japan to the agency designated by General Headquarters, Supreme Commander for the Allied Powers, and a copy of the statement shall also be delivered to the representative of Korea in Tokyo, Japan.

### **ARTICLE 5**

Except as stipulated in Article 5 b and 5 c below, debits and credits shall be mutually offset against each other and payment shall be made of the net balance only under this Account. Payment shall be made either in dollars of the United States of America or in such other currency as shall be mutually acceptable to the parties on the due date of each payment, in accordance with the following provisions:

- a. Subject, in the provisions of Article 5 b, 5 c and 5 d below any excess over and above a net balance of two million (\$2,000,000) dollars shall be immediately due and payable on demand of the creditor.
- b. Any excess over and above the net balance of two million (\$2,000,000) dollars due to Japan under Article 5 a above, shall not be payable, however, unless and until the aggregate value of the initial Japanese purchase in term of Letters of Authority received by the Bank will have equalled the amount of two million five hundred thousand (\$2,500,000) dollars.
- c. Notwithstanding the provisions of Article 5 b above, if at anytime, the difference in the aggregate value of Letters of Authority opened for purchases by Korea and purchases by Japan exceeds five million (\$5,000,000) dollars. Korea shall make a cash deposit in the Account, on the demand of the creditor, equal to the amount of the excess value of such Letters of Authority over and above such five million (\$5,000,000) dollars differential.
- d. It is understood that Article 5 a above, shall be normally applicable to the operation of the Account, provided, however, that during the initial period thereof such operation shall be subject to the provisions set forth in Article 5 b and 5 c. As soon as the value of Letters of Authority reaches an aggregate of two million five hundred thousand (\$2,500,000) dollars as stipulated in Article 5 b shall have been received by the Bank, Articles 5 b and 5 c shall become inoperative and only Article 5 a shall be applicable to any excess payments as may be due.
- e. Final payment of the net balance of the Account shall be made on or before the last day of the fourth calendar month following the effective date on which this Agreement is cancelled or terminated. Trade transactions which cannot be or are not completed and ready for presentation of documents within ninety (90) days after cancellation or termination of this Agreement, shall be renegotiated, except as may be otherwise agreed by the Parties hereto.

## **ARTICLE 6**

Credits accruing to the Parties from trade with countries not parties to this Agreement may, on the mutual consent of the parties and such other country or countries, be entered in the Account as if such other country or countries were party to this Agreement.

## **ARTICLE 7**

This Agreement may be revised by mutual consent of the Parties or cancelled upon request of the Government of the Republic of Korea or the Supreme Commander for the Allied Powers, or his successor, upon ninety (90) days' notice in writing. This Agreement shall terminate, unless the parties hereto stipulate in writing to the contrary, on the proclamation of a peace treaty between the Allied Powers, or any of them, and Japan or on the proclamation of a treaty of amity and commerce between Korea and Japan. Any revision, cancellation or termination of this Agreement shall be without prejudice to any right or obligation accruing or incurred hereunder prior to the effective date of such

revision, cancellation or termination.

#### ARTICLE 8

Representatives of the Government of the Republic of Korea and Representatives of the Supreme Commander for the Allied Powers, or his successor, are authorized to negotiate and conclude all technical details pertaining to the implementation of this Agreement.

#### ARTICLE 9

This Agreement shall be effective as of 1 April 1950 when executed by the two signatories.

Executed in duplicate on this 2nd day of June 1950.

FOR THE SUPREME  
COMMANDER FOR THE  
ALLIED POWERS ACTING  
IN RESPECT OF  
OCCUPIED JAPAN:

By

A. J. Rehe  
Ass ' t Adj. Gen.

FOR THE REPUBLIC  
OF KOREA:

By

Soon Ju, Chey  
Minister of Finance

#### MEMORANDUM:

SUBJECT: Interchange of Certain Commodities between Korea and Occupied Japan.

1. Reference is made to the Financial Agreement, Trade Agreement, and Trade Plan between the Republic of Korea and Occupied Japan, dated the 2nd day of June 1950.
2. Pursuant to the provisions of Article 3 of the Financial Agreement and Article 1 a and 1 b of Trade Agreement, it is understood that rice sale by Korea and food sales by Occupied Japan shall not be considered within the preview of the aforesaid agreement but shall be negotiated on a case-by-case basis and in consultation with the authorities of both countries. In order to expand trade between the two countries, separate consideration

will be given the purchase and sale of these commodities.

3. Reference is made to purchases by Korea from Japan which may be financed in whole or in part by funds made available by the Economic Cooperation Administration or any other agency of the Government of the United States which shall be consummated in accordance with the regulations are not to be considered as within the terms of the Agreements referred to in paragraph 1, above. The Government of the Republic of Korea will endeavor to have Japan designated as possible source of such procurement.

#### **MEMORANDUM:**

SUBJECT: Interpretation of Trade and Financial Agreements between the Republic of Korea and Occupied Japan.

1. The following is an interpretation of the Trade and Financial Agreements between the Republic of Korea and Occupied Japan dated 2nd day of June 1950. This interpretation is being issued jointly in order to assure the prompt implementation of the Trade and Financial Agreements and the Trade Plan formulated thereunder and to serve as a guide in the development and application of administrative procedure and regulations now in force or hereafter adopted in Korea and Occupied Japan in regard to the trade foreseen between two countries under these Agreements.

- a. The word "services" in Article 1 a, of the Trade Agreement, shall be construed to mean: Agent's commissions and fees, travel expenses of businessmen, processing fees, repair services for vessels (other than voyage repairs) or machinery, fees for training technicians, technical services, rent for commercial offices, salaries of commercial employees directly engaged in the work of commercial offices established by the nationals of either country, in the other country advertising expenses, and such other services as may, from time to time, be mutually agreed upon by the parties to the Trade Agreement. Payments for all services may be made for cash or through the open account to the extent authorized.
- b. Under Article 1 d, of the Trade Agreement, the following principles are to be observed. To the extent that foreign exchange or foreign exchange credits are required to be budgeted in either country, such budgeting shall be accomplished on the basis of estimated effective demand and shall, ordinarily, be at least equal to, but not necessarily limited to, one fourth of the annual Trade Plan on a non-discriminatory basis among all commodities within the scope thereof. In budgeting or readjustment of the budget, consideration may be given to seasonal factors of availability of commodities, shortfall in the relative ratio of purchases by the other country under the Trade Plan during the last preceding budget period, or dislocations in international trade as may make it necessary to adjust imports or exports of either country. Except in a case of emergency, no suspension of the allocation of authorization of foreign exchange credits for the reasons above stated, shall be enforced by either country except on prior written notice delivered to the representative of the respective country in Tokyo, Japan. Such notice shall invite consultation in the premises and, unless such consultation is held and agreement reached on or before twenty (20) days after receipt of the

notice, the suspension stated in the notice may be invoked as of the effective date stated therein.

- c. Upon receipt of the notice, referred to in paragraph 1 a above the representatives of both parties will consult with each other in accordance with the provisions of Article 1 f, of the Trade Agreement, as soon as may be practicable and endeavor to, devise practically methods of readjusting the trade between the two countries on mutually satisfactory basis.
- d. The term "special machinery" in Article 1 g, of the Trade Agreement, shall be construed to refer to the means and methods whereby information regarding trade may be expeditiously exchanged between the two countries and shall not be considered to authorize or require a government monopoly to engage in trade in order to effect the implementation of the Trade Plan under the subject Agreement. It is declared to be the essence of the Trade Agreement that trade shall be conducted on a private basis to the maximum extent possible. The information that is to be exchanged between the two countries shall include statistics setting forth on a monthly basis the total amount of import licenses authorized, and the total amount of import licenses granted, under a commodity breakdown no less detailed than listed in the Trade Plan together with such other and further information as the parties from time to time may agree.
- e. The provisions of Article 1 j, of the Trade Agreement, are intended to be applicable to entrepot trade. It is recognized that by reason of the trading nations of the world, transactions, either entrepot or multilateral in character, may not be undertaken except upon prior agreement among all interested parties and for that reason consultation is provided for in order to facilitate this type of trade and obtain, with a minimum of delay, the necessary concurrences without which such transactions are not to be undertaken.
- f. Article 4, of the Trade Agreement and Article 7 of the Financial Agreement, shall be construed as authorizing the performance of all transactions instituted or effective under the Financial and Trade Agreement between the Republic of Korea and Occupied Japan, dated the 23rd day of April 1949, or under the Trade Plan attached thereto, and the exercise of all rights or the discharge of all obligations or liabilities under said Arrangement or any transactions instituted or initiated thereunder. Except those undertaken in the exercise of a right or a discharge of an obligation or liability under the aforesaid Arrangements, all transactions instituted or effective after the date of execution of the Trade and Financial Agreements shall be valid and considered as authorized in accordance with the provisions of such Agreements.

2. As circumstances indicate the necessity therefore, interpretations of the Trade Agreement will be issued from time to time. Upon the concurrence of both parties, therein such interpretation shall be regarded as effective guides for administrative actions in both Korea and Japan.

FOR THE MINISTRY OF COMMERCE  
AND INDUSTRY,

REPUBLIC OF KOREA:

2 June, 1950,  
Byung Ho Lee,  
Vice Minister of Commerce and

W. F. Marquat  
MAJOR GENERAL, U.S. ARMY,

CHIEF, ECONOMIC & SCIENTIFIC  
SECTION,  
GENERAL HEADQUARTERS,  
SUPREME COMMANDER

Industry  
Tokyo, Japan, 8 June, 1950

FOR THE ALLIED POWERS.

**MEMORANDUM:**

SUBJECT: Interpretation of the Term "Services" as employed in the Trade and Financial Agreements Between the Republic of Korea and Occupied Japan.

1. References are:
  - a. Financial Agreement for Trade between the Republic of Korea and Occupied Japan, executed 2 June 1950.
  - b. Trade Agreement between the Republic of Korea and Occupied Japan, executed 2 June 1950.
  - c. Memorandum: Interpretation of Trade and Financial Agreements between the Republic of Korea and Occupied Japan, signed for the Republic of Korea on 3 June 1950 and for Occupied Japan on 8 June 1950.
2. During the course of the Korean Trade Conference in Tokyo, which closed on 3 April 1951, it was agreed that paragraph 1 a of reference 1 c above shall be deleted and that henceforward the term "services" as employed in the Trade and Financial Agreements between Korea and Occupied Japan, references 1 a and 1 d above, shall be construed to mean those invisible transactions specified as follows:
  - a. Transportation charges (including demurrage and dispatch money)
  - b. Commissions, premiums, penalties, cancellation money, refunds and/or other compensation money for trade.
  - c. Fees for processing trade.
  - d. Expenses for repair services for vessels (other than voyage repairs).
  - e. Costs of information media.
  - f. Banking Charges, expenses and profit.
  - g. Charges for port services (stevedoring, bunkering fees for bonded warehouse, port changes and/or others.)
  - h. Charges or inspection, survey or tally fees.
  - i. Marine insurance premiums, insurance claims.
  - j. Expenses for governmental missions.
  - k. Other items which shall be deemed as invisible.
3. It was further agreed that the method of payment for all services mentioned in paragraph 2 above shall be made in principle through the Open Account, subject to the following understanding.
  - a. Payments for services included in items a through f may be made outside the Open Account upon mutual agreement of both parties to the Agreements, references 1 a and 1 h above.
  - b. Payments for services included in items a through f may be made outside the Open Account in case the payer so desires.
  - c. Payments for services included in item k shall may be made outside the Open Account unless both parties to the Agreements, references 1 a and 1 b above, agree to the contrary.

Executed in Tokyo, Japan duplicate on 18 June 1951.

FOR THE REPUBLIC  
OF KOREA  
Kim Yong Joo  
Minister,  
Chief, Korean Diplomatic  
Mission in Japan

MAJOR GENERAL, U.S. ARMY,  
CHIEF, ECONOMIC & SCIENTIFIC  
SECTION,  
GENERAL HEADQUARTERS,  
SUPREME COMMANDER  
FOR THE ALLIED POWERS,

**KOREA - OCCUPIED JAPAN  
TRADE PLAN**

(1 April 1951 - 31 March 1952)

1. The Trade plan (attached as Tab A) sets forth the estimates of the commodities to be interchanged between the Republic of Korea and Occupied Japan, on the basis of Letters of Authority issued for the procurement of commodities and services during the period 1 April 1951 to and including 31 March 1953.
2. The attached Trade Plan is adopted in accordance with the terms and provisions of the Trade Agreement between the Republic of Korea and Occupied Japan, executed on 2 June 1950.

Executed in Tokyo, Japan, in duplicate, on the 23rd day of April 1951.

FOR THE REPUBLIC OF KOREA:  
/s/ Kim, Yong Joo

FOR THE SUPREME COMMANDER  
THE ALLIED POWERS ACTING  
IN RESPECT OF OCCUPIED JAPAN:  
/s/ Cyril A. Barnes

Draft  
April 1951

**Korea-Japan Trade Plan**  
**Estimates of Purchases by Japan from Korea**

1 April 1951 - 31 March 1952

(Estimates represent Letters of Authority to be issued under  
the Japan-Korea Open Account for the period stipulated)

	Commodity	\$ FOB Korea
1.	Mineral Products	\$ 6,500,000
	Asbestos	
	Manganese Ore	
	Molybdenum Ore	
	Zinc Ore	
	Graphite	
	Fluorspar	
	Talc Rock	
	Flint Ball	
	Kaolin	
	Lining Stone	
	Magnesite	
	Magnesia Clinker	
	Metal Scrap	
	Other Minerals	
2.	Marine Products	\$ 2,500,000
	Hemp waste and Rag	
	Waste Silk	
	Doupion Cocon	
	Cottonseed Cake	
	Cattle Bone	
	Straw Bags	
	Animal Hair	
	Other Agricultural Products	
3.	Marine Products	\$ 2,500,000
	Fish (fresh, frozen or salted)	
	Dried Laver	
	Anchovies	
	Glue Seaweed	
	Fish Liver Oil	
	Other Marine products	
4.	Purchasing Reserve	\$ 2,700,000
5.	Invisibles	\$ 500,000
	Grand Total	\$ 16,000,000



Draft  
April 1951

**Korea-Japan Trade Plan**  
**Estimates of Purchases by Korea from Japan**

1 April 1951 - 31 March 1952

(Estimates represent Letters of Authority to be issued under  
the Japan-Korea Open Account for the period stipulated)

	Commodity	\$ FOB Japan
1.	Textile	\$ 10,500,000
	Cotton Products (incl. yarn)	
	Products (incl. yarn)	
	Rayon Yarn	
	Other Textiles	
2.	Wood and Paper	\$ 3,500,000
	Bamboo	
	Hardwood Lumber	
	Other Wooden Products	
	Printing Paper	
	Cigarette Paper	
	Other Paper	
3.	Animals	\$ 250,000
4.	Chemicals	\$ 2,000,000
5.	Non-Metallic Products	\$ 5,500,000
	Coal	
	Cement	
	Sheet Glass	
6.	Non-Ferrous Products	\$ 500,000
	Copper Sheets	
	Aluminum Sheets	
	Other Non-Ferrous Products	
7.	Ferrous Products	\$ 2,700,000
	Cast Iron Pipe	
	G. I. Sheets	
	Steel Sheet	
	Reinforcing Bar	
	Water Pipe	
	Nail	
	Other Ferrous Products	
8.	Machinery	\$ 4,500,000
	Automobile Parts	
	Mining Equipment	
	Electric Machinery & Parts	
	Textile Machinery & Parts	
	Radio Equipment & Parts	

	Cigaretter Machinery & Parts	
	Bicycle Machinery & Parts	
	Railway Equipment & Supply	
	Telecommunication Equipment and Supply	
	Printing Machinery & Parts	
	Cargo Vessel & Fishing Boat	
	Ship Engine, Machinery & Parts	
	Other Machineries	
9.	Other Commodities	\$750,000
10.	Invisibles (incl. Processing expenses)	\$ 1,800,000
	Grand Total	\$32,000,000