

Effected by Exchange of Notes
at Seoul December 30, 1971
Entered into force December 30, 1971

**Exchange of Notes between the Government of the Republic of Korea and the
Government of Japan concerning Japanese Loan for the National Railway Electrification
and Seoul Subway Construction Project**

The Ambassador of Japan to the Minister of Foreign Affairs

Seoul, December 30th, 1971

Excellency,

I have the honour to refer to paragraph 18 of the Joint Communiqué dated August 11, 1971, issued on the occasion of the Fifth Japan-Korea Regular Ministerial Conference and to confirm on behalf of the Government of Japan the following understanding recently reached between the representatives of the Government of the Republic of Korea concerning Japanese assistance to be extended to the Republic of Korea for the National Railway Electrification and Seoul Subway Construction Project (hereinafter referred to as "the Project") with a view to contributing to the improvement of the traffic situation in the Metropolitan Area:

1. A loan in Japanese Yen up to the amount of twenty seven billion two hundred forty million Yen (27,240,000,000) (hereinafter referred to as "the Loan") will be extended to the Government of the Republic of Korea by the Overseas Economic Cooperation Fund (hereinafter referred to as "the Fund") in accordance with the relevant laws and regulations of Japan for the implementation of the Project as specified in the Appendix.

2. The Loan will be made available by a loan agreement or loan agreements between the Government of the Republic of Korea and the Fund to be concluded, as far as feasible, within three years from the date of this Note. The terms and conditions of the Loan as well as procedures for its utilisation will be governed by the loan agreement or loan agreements, which will contain, inter alia, the following principles:

- a) The repayment period will be fifteen (15) years after five (5) years grace.
- b) The rate of interest will be four and one-eighth (4.125) per cent per annum.
- c) The closing date of the Loan will be March 31, 1975.

3.

- (a) The Loan will be made available to cover payments to be made to Japanese suppliers, contractors or consultants by Korean importers under such contracts as may be entered into between them in Japanese Yen for the purchase of Japanese goods and services to be required for the implementation of the Project.
- (b) A part of the Loan not exceeding nine billion two hundred and forty million Yen (9,240,000,000) may, however, be used to cover payments to be made to suppliers in Japan by Korean importers for the purchase of Japanese goods and services of Japanese nationals incidental thereto, in order to finance the local currency requirements of the Project.

4. With regard to the shipping and marine insurance of goods purchased under the Loan, the Government of the Republic of Korea shall refrain from imposing any restrictions that may hinder a fair and free competition of the shipping and marine insurance companies of the two countries.
5. Japanese nationals whose services may be required in the Republic of Korea in connection with the supply of Japanese goods and services to be provided under the contracts referred to in paragraph 3. above shall be accorded such facilities as may be necessary for their entry into the Republic of Korea and stay therein for the performance of their work.
6. The Government of the Republic of Korea shall exempt:
 - (a) the Fund from Korean fiscal levy or tax on and/or in connection with the Loan and interest accruing therefrom:
 - (b) Japanese firms and nationals from Korean fiscal levy or tax on and/or in connection with any income that may accrue from the supply of Japanese goods and services to be provided under the Loan.
7. The two Governments will consult with each other with respect to any matter which may arise from or in connection with the foregoing understanding.

I should be grateful if Your Excellency would confirm the foregoing understanding on behalf of the Government of the Republic of Korea.

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

Augustin M. Kanayama
Ambassador of Japan

His Excellency
Kim Yong Shik
Minister of Foreign Affairs

Appendix

1. National Railway Electrification
 - (1) Gyeong-Bu Line, Seoul to Suwon 41.5km
 - (2) Gyeong-In Line, Seoul to Incheon 38.9km
 - (3) Gyeong-Won Line, Yongsan to Cheongryangri to Songbuk 18.2km

Total 98.6km

2. Subway Construction
Seoul-Cheongryangri 9.5km

Total 108.1km

The Minister of Foreign Affairs to the Ambassador of Japan

Seoul, December 30th, 1971.

Excellency,

I have the honour to acknowledge the receipt of Your Excellency 's Note of today 's date concerning Japanese assistance for the National Railway Electrification and Seoul Subway Construction Project, which reads as follows:

“..... Japanese Note”

I have further the honour to confirm on behalf of the Government of the Republic of Korea the understanding set forth in Your Excellency 's Note.

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

Kim Yong Shik
Minister of Foreign Affairs.

His Excellency
Augutin M. Kanayama
Ambassador Extraordinary and
Plenipotentiary of Japan
to the Republic of Korea