

**Exchange of Notes concerning Loan between the Government of the Republic of Korea
and the Government of Japan for the Purchase of Industrial Raw Materials, Machinery and
Equipment**

(Japanese Note)

Seoul, July 1, 1972

Excellency,

I have the honour to confirm the following understanding recently reached between the representatives of the Government of Japan and the Government of the Republic of Korea concerning Japanese assistance to be extended to the Republic of Korea with a view to promoting the latter's economic stabilization and development efforts.

1. A Loan in Japanese Yen up to the amount of fifteen billion four hundred million yen (¥15,400,00,000) (hereinafter referred to as "the Loan") will be extended to the Government of the Republic of Korea by the Export-Import Bank of Japan (hereinafter referred to as "the Bank") and by the Overseas Economic Cooperation Fund (hereinafter referred to as "the Fund") in accordance with the relevant laws and regulations of Japan. Of the total amount of the Loan, up to seven billion seven hundred million yen (¥7,700,000,000) will be extended by the Bank and up to the equivalent amount will be extended by the Fund.

2. The Loan will be made available by loan agreements to be concluded between the Government of the Republic of Korea on the one hand and the Bank or the Fund on the other as the case may be. The terms and conditions of the Loan as well as the procedures for its utilization will be governed by the said loan agreements, which will contain, inter alia, the following principles:

- (a) With regard to the part of the Loan to be extended by the Bank:
 - (i) The repayment period will be ten (10) years after five (5) years's grace.
 - (ii) The rate of interest will be give (5) per cent per annum.
 - (iii) The closing date will be June 30, 1973.
- (b) With regard to the part of the Loan to be extended by the Fund:
 - (i) The repayment period will be thirteen (13) years after seven (7) years' grace.
 - (ii) The rate of interest will be three and half (3.5) per cent per annum.
 - (iii) The closing date will be June 30, 1973.

3. (a) The Loan will be made available to cover payments to be made to suppliers in Japan by Korean importers under such contracts as may be entered into between them in Japanese yen for the purchase of such products of Japan as will be mutually agreed upon between the authorities concerned of the two Governments and services of Japanese nationals which may be incidental thereto.

- (b) In principle, the part of the Loan to be extended by the Bank will be used for the purchase of industrial raw materials and the part of the Loan to be extended by the Fund will be used for the purchase of machinery and equipment.

4. With regard to the shipping and marine insurance of products 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. The Government of the Republic of Korea shall exempt:
 - (a) The Bank and the Fund from any fiscal levy or tax imposed in the Republic of Korea on and/or in connection with the Loan and interest accruing therefrom:
 - (b) Japanese companies from any fiscal levy or tax imposed in the Republic of Korea on and/or in connection with revenue and/or income that may accrue from the supply of Japanese products and services to be provided under the Loan.
6. 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 assurance of my highest consideration.

Ushisoku Torao

DRAFT
(Korean Note)

Seoul, July 1, 1972

Excellency,

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

“ (Japanese Note) ”

I have further the honour to 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 assurance of my highest consideration.

Yong shik Kim

Date July 1, 1972

Dear Mr. Maeda,

With reference to the Exchange of Notes of today's date concerning a Japanese loan to be extended to the Republic of Korea up to the amount of fifteen billion four hundred million yen (¥15,400,000,000), I wish to inform you that it is the intention of the

Government of the Republic of Korea to make the following arrangements with respect to the utilization of the counterpart fund to be created from the disbursement of the said loan.

1. The Korean Government will deposit the equivalent amount in Korean currency of the yen disbursement of the loan in a counterpart fund account to be opened in its name in a bank to be designated by the Korean Government.

This counterpart fund will be utilized by the Korean Government for the purpose of industrial rationalization.

2. The Korean Government will keep the Japanese Government informed of measures to be taken by the Korea Government to secure the efficient use of the fund for the industrial rationalization.

3. The Korean Government is ready to consult with the Japanese Government from time to time regarding the use of the fund referred to above and to furnish, when necessary, reports on the progress of such use.

Sincerely yours,

Young Kyo Yoon
Director, Bureau of Economic Affairs
Ministry of Foreign Affairs
Republic of Korea

July 1, 1972

Dear Mr. Yoon,

I wish to acknowledge the receipt of your letter of today's date concerning the utilization of the counterpart fund to be created from the disbursement of the loan which will be extended under the Exchange of Notes of today's date between the Government of Japan and the Government of the Republic of Korea, and to inform you that the arrangements set out in your letter are agreeable to the Government of Japan.

Sincerely yours,
Masahiro Maeda
Minister,
Embassy of Japan
Republic of Korea

Young Kyo Yoon
Director, Bureau of Economic Affairs
Ministry of Foreign Affairs,
Republic of Korea