

Effected by Exchange of Notes
at Seoul December 24, 1973
Entered into force December 24, 1973

**Exchange of Notes concerning Second Commodity Loan and Export-Industry Promotion
Loan between the Government of the Republic of Korea and the Government of Japan**

The Ambassador of Japan to the Minister of Foreign Affairs

Seoul, December 24, 1973

Excellency,

I have the honour to refer to paragraph 19 of the Joint Communique dated September 6, 1973 issued on the occasion of the Sixth Japan-Korea Regular Ministerial Conference and 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 economic stabilization and development efforts of the Republic of Korea.

I

1. A commodity loan in Japanese Yen up to the amount of fifteen billion four hundred million yen (¥ 15,400,000,000) (hereinafter referred to as "the Commodity 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 commodity 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 Commodity 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 Commodity Loan as well as the procedures for its utilization will be governed by the said loan agreement which will contain, inter alia the following principles:

- (a) with regard to the part of the Commodity Loan to be extended by the Bank:
 - (i) The repayment period will be ten (10) years after five (5) years ' grace.
 - (ii) The rate of interest will be five (5) per cent per annum.
 - (iii) The closing date for disbursements of the Commodity Loan will be December 31, 1974.
- (b) With regard to the part of the Commodity 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 a half (3.5) per cent per annum.
 - (iii) The closing date for disbursements of the Commodity Loan will be December 31, 1974.

3. (a) The Commodity Loan will be made available to cover payments to be made to Japanese suppliers by Korean importers under such contracts as have been or may be entered into between them for the purchase of such products of Japan as will be mutually agreed upon between the authorities concerned of two Governments and services of Japanese nationals which may be incidental thereto.
- (b) In principle, the part of the Commodity Loan to be extended by the Bank will be used for the purchase of industrial raw materials and the part of the Commodity Loan to be extended by the Fund will be used for the purchase of machinery and equipment.

II

1. A loan in Japanese Yen up to the amount of six billion two hundred million Yen (¥ 6,200,000,000) (hereinafter referred to as "the Loan") will be extended to the Korea Exchange Bank by the Bank in accordance with the relevant laws and regulations of Japan.
2. The Loan will be made available by a loan agreement to be concluded between the Korea Exchange Bank and the Bank. The terms and conditions of the Loan as well as the procedures for its utilization will be governed by the said loan agreement which will contain, inter alia, the following principles:
 - (a) The repayment period will be thirteen (13) years after seven (7) year 's grace.
 - (b) The rate of interest will be five and a quarter (5.25) per cent per annum.
 - (c) The closing date for disbursements of the Loan will be December 31, 1976.
3. The Government of the Republic of Korea will take all necessary measures to secure the due performance of the repayment of the principal of and the payment of interest on the Loan to be extended to the Korea Exchange Bank.
4. The Loan will be made available to cover payments to be made to Japanese suppliers by Korean importers under such contract as may be entered into between them in Japanese yen for the purchase of machinery and equipment produced in Japan for the promotion of export industries in the Republic of Korea, except for items which may be agreed upon between the authorities concerned of the two Governments as not eligible for such purchase, and for the purchase of services of Japanese nationals incidental thereto.

III

1. With regard to the shipping and marine insurance of products purchased under the Commodity Loan and the Loan (hereinafter collectively referred to as "the Loan"), the Government of the Republic of Korea shall refrain from imposing any restrictions that may hinder fair and free competition of the shipping and marine insurance companies of the two countries.
2. 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 Loans and interest accruing therefrom;

(b) Japanese companies and nationals from the corporation tax and income tax imposed in the Republic of Korea on income that may accrue from the supply of Japanese services to be provided under the Loans.

3. 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.

Torao Ushiroku
Ambassador of Japan

His Excellency
Dong Jo Kim
Minister of Foreign Affairs
Republic of Korea

The Minister of Foreign Affairs to the Ambassador of Japan

Seoul, December 24, 1973

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.

Dong Jon Kim
of Foreign Affairs

His Excellency
Torao Ushiroku
Ambassador Extraordinary and Plenipotentiary

of Japan to the Republic of Korea