

Effected by Exchange of Notes at Seoul October 25, 1974
Entered into force October 25, 1974

**Exchange of Notes on Loan between the Government of the Republic of Korea and the
Government of Japan for the Implementation of the Rural Development Project and of the
Daecheong Dam construction Project**

The Ambassador of Japan to the Minister of Foreign Affairs

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 with a view to promoting the economic development efforts of the Republic of Korea.

1. A loan in Japanese Yen up to the amount of thirty one billion three hundred and twenty million yen (¥31,320,000,000) (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.

Of the total amount of the Loan, up to the amount of nineteen billion four hundred and forty million yen (¥19,440,000,000) will be extended for the Rural Development Project (Sapkyocheon, Ghewhado and Changyong areas) and up to the amount of eleven billion eight hundred and eighty million yen (¥11,880,000,000) will be extended for the implementation of the Daecheong Dam Construction Project.

2. The Loan will be made available by loan agreements to be concluded between the Government of the Republic of Korea and the Fund. 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 for the implementation of the Rural Development Project:

(i) The repayment period will be eighteen (18) years after the grace period of seven (7) years.

(ii) The rate of interest will be three and a quarter (3.25) per cent per annum.

(iii) The closing date for disbursements of the Loan will be December 31, 1979.

(b) With regard to the part of the Loan to be extended for the implementation of the Daecheong Dam Construction Project:

(i) The repayment period will be thirteen (13) years after the grace period of seven (7) years.

(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 Loan will be December 31, 1979.

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 products

of Japan and services of Japanese nationals to be required for the implementation of the two projects mentioned in paragraph 1. above. (hereinafter referred to as "the Projects")

- (b) A part of the Loan may be used for the financing of a part of the local currency requirement for the implementation of each of the Projects.

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 restriction that may hinder fair and free competition of the shipping and marine insurance companies of the two countries.

5. Japanese nationals whose service may be required in the Republic of Korea in connection with the supply of the products of Japan and services of Japanese nationals 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 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 and nationals from the corporation tax and income tax imposed in the Republic of Korea on income that may accrue from the supply of services of Japanese nationals to be provided under the Loans.

7. The Government of the Republic of Korea will, upon request, furnish the Government of Japan with reports on the progress of the Projects.

8. The two Governments will consult with each other with respect to any matter that may arise from or in connection with this 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.

/Sgd./

His Excellency Torao Ushiroku
Mr. Dong-Jo Kim Ambassador of Japan
Minister of Foreign Affairs
Republic of Korea

The Minister of Foreign Affairs to the Ambassador of Japan

Seoul, October 25, 1974

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 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 assurance of my highest consideration..

/Sgd./

His Excellency Torao Ushiroku
Ambassador Extraordinary Plenipotentiary Dong-Jo Kim
Embassy of Japan minister