

Exchange of Notes at Seoul August 31, 1977  
Entered ante force August 31, 1977

**Exchange of Notes on Loan for the Projects of Agricultural Development,  
High-voltage Power Transmission Line Facilities and Chungju Dam Construction  
between the Government of the Republic of Korea and the Government of Japan**

**The Ambassador of Japan to the Minister of Foreign Affairs**

Seoul, August 31, 1977

Excellency,

I have the honour to confirm the following understanding recently reached between the representatives of the Government of Japan and of the Government of the Republic of Korea concerning Japanese loans to be extended to the Republic of Korea with a view to promoting the welfare of the people and the economic development efforts of the Republic of Korea:

I

1. A loan in Japanese Yen up to the amount of six billion yen (¥6,000,000,000) will be extended to the Government of the Republic of Korea by the Overseas Economic Cooperation Fund (hereinafter referred to as "the Fund") for the promotion of food and other agricultural production in accordance with the relevant laws and regulations of Japan.

2. The loan mentioned in paragraph 1 of part I will be made available by a loan agreement 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 agreement which will contain, inter alia, the following principles :

- (a) The repayment period will be ten (10) years after the grace period of five (5) years.
- (b) The rate of interest will be five and three quarters (5.75) percent per annum.
- (c) The closing date for disbursements will be December 31, 1979.

3. (1) The loan mentioned in paragraph 1 of part I will be made available to cover payments to be made to suppliers of eligible source countries by Korean importers under such contracts as have been or may be entered into between them for purchases of such products as will be enumerated in a list to be mutually agreed upon between the authorities concerned of the two Governments and for purchases of services incidental to those purchases, provided that such purchases are made in such eligible source countries of products produced in those countries.

(2) The list mentioned in sub-paragraph (1) above will be subject to

modifications which may be agreed upon between the authorities concerned of the two Governments.

4. The Government of the Republic of Korea will deposit the equivalent in Korean currency of the amount of yen disbursements of the loan mentioned in paragraph 1 of part I in the Government Fund Financing Special Account held by the Ministry of Finance of the Republic of Korea. The amount of Korean currency thus deposited shall be utilized by the Government of the Republic of Korea for the implementation of irrigation projects to be separately agreed upon between the authorities concerned of the two Governments.

## II

1. A loan in Japanese Yen up to the amount of four billion yen (¥4,000,000,000) will be extended to the Government of the Republic of Korea by the Fund for the implementation of the High-Voltage Power Transmission Line Facilities Project (hereinafter referred to as "the Power Transmission Project") in accordance with the relevant laws and regulations of Japan.

2. (1) The loan mentioned in paragraph 1 of part II will be made available by a loan agreement 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 agreement which will contain, inter alia, the following principles:

(a) The repayment period will be fifteen (15) years after the grace period of five (5) years.

(b) The rate of interest will be four and a quarter (4.25) per cent per annum.

(c) The closing date for disbursements will be five (5) years from the date of the signing of the loan agreement.

(2) The loan agreement mentioned in sub-paragraph (1) above will be concluded after the Fund is satisfied of the feasibility of the Power Transmission Project.

3. The loan mentioned in paragraph 1 of part II will be made available to cover payments to be made by Korean executing agencies to suppliers, contractors and/or consultants of eligible source countries under such contracts as may be entered into between them for purchases of products and/or services required for the implementation of the Power Transmission Project, provided that such purchases are made in such eligible source countries for products produced in and/or services supplied from those countries.

## III

1. A loan in Japanese Yen up to the amount of fourteen billion Yen (¥14,000,000,000) will be extended to the Government of the Republic of Korea by the Fund for the implementation of the Chungju Dam Construction Project

(hereinafter referred to as "the Dam Project") in accordance with the relevant laws and regulations of Japan.

2. (1) The loan mentioned in paragraph 1 of part III will be made available by a loan agreement 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 agreement which will contain, inter alia, the following principles:
  - (a) The repayment period will be thirteen (13) years after the grace period of seven (7) years.
  - (b) The rate of Interest will be three and a half (3.5) per cent per annum.
  - (c) The closing date for disbursements will be six and a half (6.5) years from the date of the signing of the loan agreement.
- (2) The loan agreement mentioned in sub-paragraph (1) above will be concluded after the Fund is satisfied of the feasibility of the Dam Project.
3. (1) The loan mentioned in paragraph 1 of part III will be made available to cover payments to be made by Korean executing agencies to suppliers, contractors and/or consultants of eligible source countries under such contracts as may be entered into between them for purchases of products and/or services required for the implementation of the Dam Project, provided that such purchases are made in such eligible source countries for products produced in and/or services supplied from those countries.
- (2) A part of the loan may be used to cover eligible local currency requirements for the implementation of the Dam Project.

#### IV

1. The closing dates for disbursements mentioned in paragraph 2 (c) of part I, sub-paragraph (1) (c) of paragraph 2 of part II and sub-paragraph (1) (c) of Paragraph 2 of Part III may be extended with the consent of the authorities concerned of the two Governments.
2. The Government of the Republic of Korea will ensure that products and/or services mentioned in sub-paragraph (1) of paragraph 3 of part I, paragraph 3 of Part II and sub-paragraph (1) of paragraph 3 of part III are procured in accordance with the guidelines for procurement of the Fund which set forth, inter alia, the procedures of international tendering to be followed except where such procedures are inapplicable or inappropriate.
3. The scope of eligible source countries mentioned in sub-paragraph (1) of paragraph 3 of part I, paragraph 3 of part II and sub-paragraph (1) of paragraph 3 of part III will be agreed upon between the authorities concerned of the two Governments.
4. With regard to the shipping and marine insurance of products purchased under the loans mentioned in parts I, and III above (hereinafter collectively referred to as "the Loans") the Government of the Republic of Korea will refrain

from imposing any restrictions that may hinder fair and free competition between 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 products and/or services under the Loans will 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 will exempt the Fund from any fiscal levy or tax imposed in the Republic of Korea on and/or in connection with the Loans and interests accruing therefrom.

7. The two Governments will hold joint review of the progress of the implementation of the Loans from time to time and take measures, whenever necessary, to ensure smooth and effective utilization of the Loans.

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 extend to Your Excellency the assurance of my highest consideration.

/Sgd./  
Ryozo Sunobe

**The Minister of Foreign Affairs to the Ambassador of Japan**

Seoul, August 31, 1977  
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 extend to Your Excellency the assurance of my highest consideration.

/Sgd./

Ton-Jin Park