

No. 7787

**UNITED STATES OF AMERICA
and
REPUBLIC OF KOREA**

**Agricultural Commodities Agreement under Title I of the
Agricultural Trade Development and Assistance Act,
as amended (with exchange of notes). Signed at Seoul,
on 31 December 1964**

Official text: English.

Registered by the United States of America on 21 May 1965.

**ÉTATS-UNIS D'AMÉRIQUE
et
RÉPUBLIQUE DE CORÉE**

**Accord relatif aux produits agricoles, conclu dans le cadre
du titre I de la loi tendant à développer et à favoriser
le commerce agricole, telle qu'elle a été modifiée (avec
échange de notes). Signé à Séoul, le 31 décembre 1964**

Texte officiel anglais.

Enregistré par les États-Unis d'Amérique le 21 mai 1965.

No. 7787. AGRICULTURAL COMMODITIES AGREEMENT¹
BETWEEN THE GOVERNMENT OF THE UNITED STATES
OF AMERICA AND THE GOVERNMENT OF THE
REPUBLIC OF KOREA UNDER TITLE I OF THE AGRICULTURAL
TRADE DEVELOPMENT AND ASSISTANCE
ACT, AS AMENDED. SIGNED AT SEOUL, ON 31 DECEMBER
1964

The Government of the United States of America and the Government of the Republic of Korea :

Recognizing the desirability of expanding trade in agricultural commodities between their two countries and with other friendly nations in a manner which would not displace usual marketings of the United States of America in these commodities or unduly disrupt world prices of agricultural commodities or normal patterns of commercial trade with friendly countries;

Considering that the purchase for Korean won of agricultural commodities produced in the United States of America will assist in achieving such an expansion of trade;

Considering that the Korean won accruing from such purchase will be utilized in a manner beneficial to both countries;

Desiring to set forth the understandings which will govern the sales, as specified below, of agricultural commodities to the Republic of Korea pursuant to Title I of the Agricultural Trade Development and Assistance Act, as amended (hereinafter referred to as the Act) and the measures which the two Governments will take individually and collectively in furthering the expansion of trade in such commodities;

Have agreed as follows :

Article I

SALES FOR KOREAN WON

1. Subject to issuance by the Government of the United States of America and acceptance by the Government of the Republic of Korea of purchase authorizations and to the availability of the specified commodities under the Act at the time of exportation, the Government of the United States of America

¹ Came into force on 31 December 1964, upon signature, in accordance with article VI.

undertakes to finance during calendar year 1965 the sales for Korean won, to purchasers authorized by the Government of the Republic of Korea, of the following agricultural commodities in the amounts indicated :

<i>Commodity</i>	<i>Export Market Value (million)</i>
Wheat	\$13.56
Cotton	27.57
Ocean transportation (estimated)	3.87
	TOTAL \$45.00

2. Applications for purchase authorizations will be made within 90 days after the effective date of this agreement, except that applications for purchase authorizations for any additional commodities or amounts of commodities provided for in any amendment to this agreement will be made within 90 days after the effective date of such amendment. Purchase authorizations will include provisions relating to the sale and delivery of commodities, the time and circumstances of deposit of the Korean won accruing from such sales, and other relevant matters.

3. The financing, sale and delivery of commodities under this agreement will be terminated by either Government if that Government determines that because of changed conditions the continuation of such financing, sale or delivery is unnecessary or undesirable.

Article II

USES OF KOREAN WON

The Korean won accruing to the Government of the United States of America as a consequence of sales made pursuant to this agreement will be used by the Government of the United States of America, in such manner and order of priority as the Government of the United States of America shall determine, for the following purposes, in the proportions shown :

A. For United States expenditures under subsections (a), (b), (d), (f), and (h) through (t) of Section 104 of the Act, or under any of such subsections, 19 percent of the Korean won accruing pursuant to this agreement.

B. For loans to be made by the Agency for International Development of Washington (hereinafter referred to as AID) under Section 104 (e) of the Act and for administrative expenses of AID in Korea incident thereto, 1 percent of the Korean won accruing pursuant to this agreement. It is understood that :

- (i) Such loans under Section 104 (e) of the Act will be made to United States business firms and branches, subsidiaries, or affiliates of such firms in

Korea for business development and trade expansion in Korea and to United States and Korean firms for the establishment of facilities for aiding in the utilization and distribution of United States agricultural products or for otherwise increasing the consumption of and markets for such products.

- (ii) Loans will be mutually agreeable to AID and the Government of the Republic of Korea, acting through the Economic Planning Board. The Minister of the Economic Planning Board, or his designate, will act for the Government of the Republic of Korea, and the Administrator of AID, or his designate, will act for AID.
- (iii) Upon receipt of an application which AID is prepared to consider, AID will inform the Economic Planning Board of the identity of the applicant, the nature of the proposed business, the amount of the proposed loan, and the general purposes for which the loan proceeds would be expended.
- (iv) When AID is prepared to act favorably upon an application, it will so notify the Economic Planning Board and will indicate the interest rate and the repayment period which would be used under the proposed loan. The interest rate will be similar to that prevailing in Korea on comparable loans, provided such rates are not lower than the cost of funds to the United States Treasury on comparable maturities, and the maturities will be consistent with the purposes of the financing.
- (v) Within sixty days after the receipt of the notice that AID is prepared to act favorably upon an application, the Economic Planning Board will indicate to AID whether or not the Economic Planning Board has any objection to the proposed loan. Unless within the sixty-day period AID has received such a communication from the Economic Planning Board, it shall be understood that the Economic Planning Board has no objection to the proposed loan. When AID approves or declines the proposed loan it will notify the Economic Planning Board.
- (vi) In the event the Korean won set aside for loans under Section 104 (e) of the Act are not advanced within three years from the date of this agreement because AID has not approved loans or because proposed loans have not been mutually agreeable to AID and the Government of the Republic of Korea, the Government of the United States of America may use the Korean won for any purpose authorized by Section 104 of the Act.

C. For grant to the Government of the Republic of Korea under subsection (c) of Section 104 of the Act, 80 percent of the Korean won accruing pursuant to this agreement. In the event that agreement is not reached on uses of Korean won for grant under subsection (c) of Section 104 of the Act

within three years from the date of this agreement, the Government of the United States of America may use the Korean won for any purpose authorized by Section 104 of the Act.

Article III

DEPOSIT OF KOREAN WON

1. The amount of Korean won to be deposited to the account of the Government of the United States of America shall be the equivalent of the dollar sales value of the commodities and ocean transportation costs reimbursed or financed by the Government of the United States of America (except excess costs resulting from the requirement that United States flag vessels be used), converted into Korean won as follows :

- (a) at the rate for dollar exchange applicable to commercial import transactions on the dates of dollar disbursement by the United States, provided that a unitary exchange rate applying to all foreign exchange transactions is maintained by the Government of the Republic of Korea, or,
- (b) if more than one legal rate for foreign exchange transactions exists, at a rate of exchange to be mutually agreed upon from time to time between the Government of the Republic of Korea and the Government of the United States of America.

2. The Government of the United States of America shall determine which of its funds shall be used to pay any refunds of Korean won which become due under this agreement or which are due or become due under any prior agricultural commodities agreement. A reserve will be maintained under this agreement for two years from the effective date of this agreement which may be used for payment of such refunds. Any payment out of this reserve shall be treated as a reduction in the total Korean won accruing to the Government of the United States of America under this agreement.

Article IV

GENERAL UNDERTAKINGS

1. The Government of the Republic of Korea will take all possible measures to prevent the resale or transshipment to other countries or the use for other than domestic purposes of the agricultural commodities purchased pursuant to this agreement (except where such resale, transshipment or use is specifically approved by the Government of the United States of America); to prevent the export of any commodity of either domestic or foreign origin which is the same as, or like, the commodities purchased pursuant to this agreement during the period beginning on the date of this agreement and ending with the final

date on which such commodities are received and utilized (except where such export is specifically approved by the Government of the United States of America); and to ensure that the purchase of commodities pursuant to this agreement does not result in increased availability of the same or like commodities to nations unfriendly to the United States of America.

2. The two Governments will take reasonable precautions to assure that all sales and purchases of agricultural commodities pursuant to this agreement will not displace usual marketings of the United States of America in these commodities or unduly disrupt world prices of agricultural commodities or normal patterns of commercial trade with friendly countries.

3. In carrying out this agreement, the two Governments will seek to assure conditions of commerce permitting private traders to function effectively and will use their best endeavors to develop and expand continuous market demand for agricultural commodities.

4. The Government of the Republic of Korea will furnish quarterly information on the progress of the program, particularly with respect to the arrival and condition of commodities; provisions for the maintenance of usual marketings; and information relating to imports and exports of the same or like commodities.

Article V

CONSULTATION

The two Governments will, upon request of either of them, consult regarding any matter relating to the application of this agreement, or to the operation of arrangements carried out pursuant to this agreement.

Article VI

ENTRY INTO FORCE

This agreement shall enter into force upon signature.

IN WITNESS WHEREOF, the respective representatives, duly authorized for the purpose, have signed the present agreement.

DONE at Seoul, in duplicate, this 31st day of December 1964

For the Government
of the United States of America :

Winthrop G. BROWN
American Ambassador

For the Government
of the Republic of Korea :

CHANG Key Young
Deputy Premier
and Minister, Economic Planning Board

EXCHANGE OF NOTES

I

The American Ambassador to the Korean Deputy Minister

THE FOREIGN SERVICE OF THE UNITED STATES OF AMERICA

No. 768

Seoul, December 31, 1964

Excellency :

I have the honor to refer to the Agricultural Commodities Agreement signed today¹ by representatives of our two Governments and to inform you of my Government's understanding of the following :

(1) In expressing its agreement with the Government of the United States of America that deliveries under the Agreement should not unduly disrupt world prices of agricultural commodities or impair trade relations among friendly nations, the Government of the Republic of Korea agrees that, in addition to the cotton to be purchased under the terms of this agreement, it will procure and import in calendar year 1965 with its own resources from the United States of America the equivalent weight of the raw cotton of total cotton textiles exported during the period that cotton under this agreement is being imported and utilized. The Government of the Republic of Korea agrees that it will purchase with its own resources from the United States of America a quantity of wheat and/or barley equivalent to any exports of rice from Korea while wheat is being imported and utilized under this agreement.

(2) With regard to paragraph 4 of Article IV of the agreement, the Government of the Republic of Korea agrees to furnish quarterly the following information in connection with each shipment of commodities received under the agreement : the name of each vessel ; the date of arrival ; the port of arrival ; the commodity and quantity received ; the condition in which received ; the date unloading was completed ; and the disposition of the cargo, i.e., stored, distributed locally, or, if shipped, where shipped. In addition, the Government of the Republic of Korea agrees to furnish quarterly : (a) a statement of measures it has taken to prevent the resale or transshipment of commodities furnished and to assure that the program has not resulted in increased availability of the same or like commodities to other nations and (b) a statement by the Government showing progress made toward fulfilling commitments on usual marketings. The Government of the Republic of Korea further agrees that the above statements will be accompanied by statistical data on imports and exports by country of origin or destination of commodities which are the same as or like those imported under the agreement.

(3) The Government of the Republic of Korea will provide upon request of the Government of the United States of America, facilities for conversion into other non-dollar currencies of the following amounts of won : for purposes of Section 104 (a) of

¹ See p. 316 of this volume.

the Act, \$900,000, or two percent of the won accruing under the agreement, whichever is greater, to finance agricultural market development activities in other countries; and for purposes of Section 104 (*h*) of the act and for the purposes of the Mutual Educational and Cultural Exchange Act of 1961, up to \$450,000 worth of won to finance educational and cultural exchange programs and activities in other countries.

(4) The Government of the United States of America may utilize Korean won in the Republic of Korea to pay for travel which is part of a trip in which the traveler travels from, to or through the Republic of Korea. It is understood that these funds are intended to cover only travel by persons who are traveling on official business for the Government of the United States of America or in connection with activities financed by the Government of the United States of America. It is further understood that travel for which Korean won may be utilized shall not be limited to services provided by the Republic of Korea's transportation facilities.

I shall appreciate your Excellency's confirmation of the above understanding.

Accept, Excellency, the renewed assurances of my highest consideration.

W. G. B.

His Excellency Chang Key Young
Deputy Premier
and Minister, Economic Planning Board
Seoul

II

The Korean Deputy Minister to the American Ambassador

ECONOMIC PLANNING BOARD
REPUBLIC OF KOREA
SEOUL, KOREA

Seoul, December 31, 1964

Excellency :

I have the honor to refer to your Excellency's Note No. 768 of today's date which reads as follows :

[*See note I*]

I have the honor to inform you that my Government concurs in the foregoing.

Accept, Excellency, the renewed assurance of my highest consideration.

CHANG Key Young
Deputy Premier
and Minister, Economic Planning Board

His^r Excellency Winthrop G. Brown
Ambassador of the United States
Seoul