

No. 8404

**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
7 March 1966**

Official text: English.

Registered by the United States of America on 21 November 1966.

**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 7 mars 1966**

Texte officiel anglais.

Enregistré par les États-Unis d'Amérique le 21 novembre 1966.

No. 8404. 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 7 MARCH 1966

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 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

¹ Came into force on 7 March 1966, upon signature, in accordance with article VI.

at the time of exportation, the Government of the United States of America undertakes to finance 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 (millions)</i>
Wheat/wheat flour	\$11.67
Cotton	40.14
TOTAL	\$51.81

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 Korean won accruing from such sale, and other relevant matters.

The Government of the United States of America will finance ocean transportation costs incurred pursuant to this agreement only to the extent that such costs are higher than otherwise would be the case by reason of the requirement that approximately 50 percent by tonnage of the commodities be transported in United States flag vessels. The balance of cost for commodities required to be carried in United States flag vessels shall be paid in dollars by the Government of the Republic of Korea. The Government of the Republic of Korea will not be required to deposit Korean won for ocean transportation financed by the Government of the United States of America.

Promptly after contracting for United States flag shipping space required to be used, and in any event not later than presentation of vessel for loading, the Government of the Republic of Korea will open a letter of credit, in dollars, for the estimated cost of ocean transportation for commodities carried in United States flag vessels.

3. The financing, sale and delivery of commodities under this agreement may 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, 20 percent of the Korean won accruing pursuant to this agreement.

B. For grant to the Government of Korea under subsection (c) of Section 104 of the Act, 79 percent of the Korean won accruing pursuant to this agreement. In the event that agreement is not reached on the use of the 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.

C. 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 :

- (1) 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 firms and Korean firms for the establishment of facilities for aiding in the utilization, distribution, or otherwise increasing the consumption of and markets for United States agricultural products.
- (2) 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.
- (3) 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 could be expended.
- (4) 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 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 rate is not lower than cost of funds to the United States Treasury on comparable maturities, and the maturities will be consistent with the purposes of the financing.
- (5) 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 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.

- (6) 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 Economic Planning Board, 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 Government of the Republic of Korea will deposit to the account of the Government of the United States of America an amount of Korean won equivalent to the dollar sales value of the commodities financed by the Government of the United States of America converted into Korean won at the applicable rate of exchange in effect on the date of dollar disbursement by the Government of the United States of America.

- (a) If a unitary exchange rate system is maintained by the Government of the Republic of Korea, the applicable rate will be the rate at which the central monetary authority of the Government of the Republic of Korea, or its authorized agent, sells foreign exchange for Korean won.
- (b) If a unitary rate system is not maintained, the applicable rate will be the rate mutually agreed upon by the Government of the United States of America and the Government of the Republic of Korea.

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 the 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 in calendar year 1966 and any subsequent period during which Title I commodities are being imported or utilized (except where such export is specifically approved by the Government of the United States); 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, Korea, in duplicate this 7th day of March 1966.

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 Premier and Minister,
Economic Planning Board*

No. 956

Seoul, March 7, 1966

Excellency :

I have the honor to refer to the Agricultural Commodities Agreement between our two Governments signed today 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 relationships among friendly nations and to 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, the Government of the Republic of Korea agrees that (a) it will import with its own resources from the United States of America one ton of wheat and/or barley for each ton of rice exported in calendar year 1966 (except rice exports in January 1966 under the provisions of the Tenth PL 480, Title I Agreement to the extent offset by imports of wheat and/or barley already completed during calendar year 1965) and any subsequent period during which wheat financed under the agreement is being imported or utilized, and such imports will be completed within 120 days following each such export of rice during calendar year 1966, and (b) it will import with its own resources from the United States of America and other free world sources a minimum of 51,000 bales of cotton, of which at least 49,000 bales shall be from the United States of America, such raw cotton imports to be in addition to any raw cotton imported in calendar year 1966 to meet shortfalls under the requirements

provided for in the exchange of notes December 31, 1964.¹ In implementing this understanding the Government of the Republic of Korea agrees that it will import during calendar year 1966 a minimum of 12,000 bales during the period January 1-March 31, 1966; a minimum of 13,000 bales during the period April 1-June 30, 1966; a minimum of 13,000 bales during the period July 1-September 30, 1966; and a minimum of 13,000 bales during the period October 1-December 31, 1966. The Government of the Republic of Korea further agrees that it will import from the United States of America by March 31, 1967 the equivalent quantity, if any, as determined by final review, of cotton by which the cotton content of textiles exported during calendar year 1966 exceeds 51,000 bales.

(2) It is understood that should the Government of the Republic of Korea fail to comply with the requirements of Article IV of the agreement, except as provided in paragraph (1) above, the Government of the Republic of Korea will be required to reimburse the Government of the United States of America in dollars for the average value, to be determined by the Government of the United States of America, of a quantity of the same or like commodities financed by the Government of the United States of America equivalent to the commodities exported by the Republic of Korea or make an offset purchase from the United States of America for dollars with its own resources a quantity of the same or like commodities equivalent to the commodities exported. Such reimbursement or offset purchase will be made not later than 60 days after the infraction is called to the attention of the Government of the Republic of Korea or such other period as may be agreed to by the Government of the United States of America. Reimbursement will not be in excess of the total value of commodities shipped under the agreement.

The Government of the United States of America will return to the Government of the Republic of Korea the equivalent Korean won deposited for commodities for which United States dollars are reimbursed under this paragraph.

The same provisions will apply should any product be exported that is processed from the same or like commodities as those being imported under the agreement. Reimbursement or offset purchases will be required for an equivalent quantity of the commodity used to produce the processed product.

(3) The Government of the Republic of Korea agrees that the Korean won received by the Government of the United States of America under the agreement may be deposited in interest-bearing accounts in banks in Korea selected by the Government of the United States of America.

(4) 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 agree-

¹ The following information is provided by the Government of the United States of America :
"Signed at Seoul Dec. 31, 1964."

ment : 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, (b) assurances that the program has not resulted in increased availability of the same or like commodities to other nations and (c) 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.

(5) 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 Korean won : (a) for purposes of Section 104 (a) of the Act, \$1,036,200 worth or two percent of the won accruing under the agreement to the Government of the United States of America as proceeds from sales whichever is greater, to finance agricultural market development activities in other countries and (b) for purposes of Section 104 (h) of the Mutual Educational and Cultural Exchange Act of 1961, up to \$500,000 worth of won to finance educational and cultural exchange programs and activities in other countries.

(6) The Government of the United States of America may utilize Korean won in Korea to pay for travel which is part of a trip in which the traveler travels from, to or through 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 the travel for which won may be utilized shall not be limited to services provided by Korean transportation facilities.

(7) The Government of the Republic of Korea agrees to designate an individual or agency in Korea with whom representatives of the United States of America may consult with regard to implementing all the provisions of the agreement.

(8) The Government of the Republic of Korea agrees to designate one or more persons in the United States of America to consult with representatives of the United States of America for purposes of orientation in connection with the implementation of the agreement.

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

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

Winthrop G. BROWN

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

II

*The Korean Deputy Premier and Minister, Economic Planning Board,
to the American Ambassador*

ECONOMIC PLANNING BOARD
REPUBLIC OF KOREA
SEOUL, KOREA

Seoul, March 7, 1966

Excellency :

I have the honor to refer to your Excellency's Note No. 956 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 Excellency Winthrop G. Brown
Ambassador of the United States
Seoul