

No. 12987

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

Agreement for sales of agricultural commodities (with official minutes of negotiations and letter of understanding of 11 April 1973). Signed at Seoul on 12 April 1973

Exchange of notes constituting an agreement amending the above-mentioned Agreement. Washington, 29 May 1973

Authentic texts: English.

Registered by the United States of America on 23 January 1974.

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

Accord relatif à la vente de produits agricoles (avec minutes officielles des négociations et lettre d'accord en date du 11 avril 1973). Signé à Séoul le 12 avril 1973

Échange de notes constituant un accord modifiant l'Accord susmentionné. Washington, 29 mai 1973

Textes authentiques : anglais.

Enregistrés par les États-Unis d'Amérique le 23 janvier 1974.

AGREEMENT¹ BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE REPUBLIC OF KOREA FOR SALES OF AGRICULTURAL COMMODITIES

The Government of the United States of America and the Government of the Republic of Korea have agreed to the sales of agricultural commodities specified below. This Agreement shall consist of the preamble, and parts I and III of the March 25, 1967 Agreement,² the Convertible Local Currency Credit Annex of the October 23, 1968 Agreement,³ and the following part II:

PART II

PARTICULAR PROVISIONS

Item I. Commodity Table:

<i>Commodity</i>	<i>Supply Period (United States Calendar Year)</i>	<i>Approximate Maximum Quantity</i>	<i>Maximum Export Market Value (Millions)</i>
Wheat/Wheat Flour (Wheat basis) . . .	1973	600,000 M/T	\$53.7
Corn/Grain Sorghum (Corn basis) . . .	1973	200,000 M/T	14.0
Cotton	1973	175,000 Bales	27.1
		TOTAL	<u>\$94.8</u>

Item II. Payment Terms:

Convertible Local Currency Credit

1. Initial Payment — 5 percent of such amounts disbursed by the Government of the exporting country under this Agreement, but not to exceed 5 percent of \$44.8 million.
2. Currency Use Payment — *a.* Twenty-five (25) percent of the dollar amount of the financing by the Government of the exporting country under this Agreement, but not to exceed 25 percent of the first \$44.8 million disbursements, is payable upon demand by the Government of the exporting country in amounts as it may determine and in accordance with paragraph 6 of the Convertible Local Currency Credit Annex applicable to this Agreement.
 - b.* In addition, 20 percent of the balance of the dollar amount of the financing by the Government of the exporting country under this Agreement is payable upon demand by the Government of the exporting country in amounts as it may determine and in accordance with paragraph 6 of the Convertible Local Currency Credit Annex applicable to this Agreement.
 - c.* With regard to *a* and *b*, above, no requests for payment will be made prior to the first disbursement by the Commodity Credit Corporation.

¹ Came into force on 12 April 1973 by signature, in accordance with part III(B).

² United Nations, *Treaty Series*, vol. 685, p. 101.

³ *Ibid.*, vol. 707, p. 31.

3. Amount of Each Installment Payment — Approximately equal annual amounts.
4. Number of Installment Payments — 31.
5. Due Date of the First Installment Payment — 10 years after the date of the last delivery of commodities in each calendar year.
6. Initial Interest Rate — 2 percent.
7. Continuing Interest Rate — 3 percent.

Item III. Usual Marketing Table:

<i>Commodity</i>	<i>Import Period (United States Calendar Year)</i>	<i>Usual Marketing Requirement</i>
Wheat/Wheat Flour (Wheat basis) . . .	1973	545,000 metric tons.
Corn/Grain Sorghum	1973	180,000 metric tons.
Cotton	1973	175,000 bales of which at least 170,000 bales shall be imported from the United States of America

Item IV. Export Limitations:

A. With respect to each commodity financed under this Agreement, the export limitation period for the same or like commodities shall be the United States Calendar Year 1973 and each subsequent calendar year during which the said commodities financed under this Agreement are being imported or utilized.

B. For the purposes of part I, article III A (3) of the Agreement, the commodities considered to be the same as or like the commodities imported under this Agreement are: for wheat/wheat flour — wheat, wheat flour, rolled wheat, semolina, farina and bulgur (or same product under a different name); for corn/grain sorghum — corn, cornmeal, grain sorghum, barley, oats, and rye including mixed feeds containing such grains predominately; and, for cotton — upland cotton and cotton textiles (including yarn and waste).

C. Permissible Exports:

<i>Commodity</i>	<i>Quantity and Conditions</i>	<i>Period Exports Permitted</i>
Cotton textiles	Raw cotton content equivalent in weight to 70,000 bales (480 pounds net) during U.S. CY 1973. If this export quantity is exceeded, the raw cotton equivalent in weight of such cotton textile exports will, in addition to the U.S. portion of the UMR provided in item III, be imported from the United States into the Republic of Korea and paid for with the resources of the importing country, but such offset purchase requirement need not exceed the level of total Title I, PL 480 imports during the supply period.	During U.S. CY 1973 and any subsequent comparable supply period during which cotton purchased under this Agreement is being imported or utilized.

Item V. Self-Help Measures:

In furtherance of its third Five Year Plan goals the Government of the Republic of Korea is undertaking to:

1. Achieve a greater degree of self sufficiency in major grains by application of improved production practices and introduction of higher yielding varieties which may result from an expanded program of agricultural crop improvement research.
2. Continue efforts to reduce population growth by expanding and improving family planning services throughout the country.
3. Initiate actions to improve grain discharge and storage facilities at ports as means to reduce delays and handling costs.

Item VI. Economic Development Purposes for Which Proceeds Accruing to Importing Country are to be Used:

The proceeds accruing to the importing country from the sale of commodities financed under this Agreement will be used for financing the self-help measures set forth in item V and for economic development purposes in the agricultural sector as identified in the Republic of Korea Five Year Plan, December 1971 as amended September 1972.

Item VII. Ocean Freight (Differential):

The Government of the United States shall bear the cost of ocean freight differential for commodities it requires to be carried in United States flag vessels but, notwithstanding the provisions of paragraph 1 of the Convertible Local Currency Credit Annex, it shall not finance the balance of the cost of ocean transportation of such commodities.

Item VIII. Other Provisions:

Substitute the following for paragraph 4 of the Convertible Local Currency Credit Annex: "The total amount of the proceeds accruing to the importing country from the sale of commodities financed under this Agreement, to be applied to the economic development uses set forth in part II of this Agreement, shall be not less than the local currency equivalent of the dollar disbursement by the Government of the exporting country in connection with the financing of the commodities (other than the ocean freight differential) provided, however, that the sales proceeds to be so applied shall be reduced by the payment, if any, made by the Government of the importing country pursuant to the proviso in section 103 (b) of the Act (such payment is herein called "the currency use payment"). The exchange rate to be used in calculating this local currency equivalent shall be the rate at which the central monetary authority of the importing country, or its authorized agent, sells foreign exchange for local currency in connection with the commercial import of the same commodities. Any such accrued proceeds that are loaned by the Government of the importing country to private or nongovernmental organizations shall be loaned at rates of interest approximately equivalent to those charged for comparable loans in the importing country. The Government of the importing country shall furnish, in accordance with its fiscal year budget reporting procedures, at such times as may be requested by the Government of the exporting country but not less often than annually, a report of the receipt and expenditure of the proceeds, certified by the appropriate audit authority of the Government of the importing country, and in the case of expenditures, the budget sector in which they were used."

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

DONE at Seoul, in duplicate, this 12th day of April 1973.

For the Government
of the United States of America:

[Signed]

PHILIP C. HABIB
Ambassador of the
United States of America

For the Government
of the Republic of Korea:

[Signed]

TAE, WAN SON
Deputy Prime Minister and Minister,
Economic Planning Board

OFFICIAL MINUTES OF NEGOTIATIONS BETWEEN THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE REPUBLIC OF KOREA CONCERNING THE PL 480 TITLE I AGREEMENT FOR THE SALES OF AGRICULTURAL COMMODITIES

1. Negotiations between the United States of America and the Republic of Korea regarding a Title I Agreement for the sale of 600,000 M/T wheat, 200,000 M/T corn and 175,000 bales of cotton took place on April 6, 1973. Detailed discussions were held between the representatives of the two Governments concerning the commodities, tonnages, dollar values, terms and conditions, usual marketing requirements, limitations of the exports of commodities, self help measures, and the deposits and uses of the sales proceeds.

2. The following persons participated in the negotiations:

ROK
Hwang, Byung Tai — Assistant Minister,
EPB
Lee, Sun Ki — Director, Economic Cooper-
ation Bureau, EPB
Park, Kyong Dong — Chief, Overall Pro-
gramming Division, EPB

U.S.
William L. Davis — Assistant Director for
Programs, U.S. Mission
Clancy Jean — Agricultural Attache, U.S.
Mission
Eugene W. Moore — Food for Peace Officer,
U.S. Mission

3. The U.S. representatives pointed out that wheat availabilities will be limited during CY 1973 but that the USG hoped to be able to supply between 160,000 M/T and 250,000 M/T before the end of June 1973, in addition to about \$5.0 million of corn and about \$3.9 million of raw cotton. With respect to the remaining quantities of the Agreement, the U.S. representatives indicated that while the USG hoped to be able to deliver all of these quantities, the dollar values of the Agreement are controlling. In view of the rapidly changing price structure of agricultural commodities during the past year this question is more important than in other years, the U.S. representatives stated, adding that if there were additional price increases during the supply period of the Agreement the USG would not be able to increase the dollar values of the Agreement and that the quantities would therefore be limited to the amounts which can be purchased with the dollar amounts of the Agreement. The ROKG representatives understood the foregoing points.

4. The U.S. representatives pointed out that while the USG hoped to be able to deliver the entire program during the supply period mentioned in the Agreement, i.e., CY 1973, restraints on Title I budget availability make it necessary for the USG to limit shipments prior to the end of June 1973, as noted in paragraph 3 above, and that, furthermore, it may be necessary for some shipments to be carried over beyond the end of CY 1973 into the next supply period. It was noted that shipments prior to June 30, 1973 depend on prompt signature of the Agreement and prompt issuance of Purchase Authorizations. The ROKG representatives stated that they understood the budget problem but that they hoped that the USG would be able to deliver all of the commodities within the supply period of the Agreement.

5. The financing terms of the Agreement were discussed and the ROKG representatives acknowledged understanding and agreement.

6. The U.S. representatives stated that the increased levels of the Usual Marketing Requirements (UMRs) reflect the increased commercial trade in these commodities during the past five years. In the case of cotton, the U.S. representatives expressed appreciation for the ROKG desire to reach a full mutual understanding of the cotton UMR, adding that the U.S. is interested in continuing to serve the ROKG as a supplier of raw cotton. The U.S. representatives added that the increased cotton supplies in the present Agreement would serve to increase the availability of CCC credits for the purchase of other commodities such as wheat. The U.S. representatives stated that the U.S. expected to be able to compete for any additional commercial trade in these commodities, noting that section 103 (o) of Title I, states that the U.S. should benefit equitably from the development of markets in countries now receiving concessional U.S. food assistance. The U.S. representatives pointed out that, in connection with commercial purchases of the same type of commodities as those included in the draft agreement, the CCC Export Credit Sales Program offered possibilities for the purchase of additional ROKG requirements. Such purchases are counted towards the fulfillment of the UMR. The ROKG representatives understood the foregoing.

7. The U.S. representatives pointed out the export limitation provisions of the Agreement, noting the specific commodity-types and the time periods of the limitation. The permissible level of cotton exports, along with the applicable offset provisions in the event these levels are exceeded, were discussed with the ROKG representatives who indicated they understood both of the foregoing points relating to exports.

8. The U.S. representatives pointed out that the provisions of the self help memorandum dated March 28, 1967* and the termination clause of the March 25, 1967 Title I Agreement signed by the then Deputy Prime Minister Key Young Chang would also apply to this proposed Title I Agreement. In their self help memorandum the ROKG stated that "The Government of the Republic of Korea understands that the Act requires the Agreement to provide for termination whenever the Government of the United States of America finds that the self help program described in the Agreement is not being adequately developed and that the Government of the United States of America can terminate the Agreement in such a case under the termination clause." The U.S. representatives also stated that self help report procedures require one annual report from the ROKG, due in Washington on or before December 1. The December report should be a comprehensive analytic report covering to the maximum extent progress realized on each of the self help measures taken during the preceding year. The ROKG representatives agreed to these points.

9. In addition to the Self-Help Report mentioned above the U.S. representatives also discussed with the ROKG representatives their reporting responsibilities set forth in part I, article III, paragraph D. The ROKG representatives agreed to make arrangements to furnish to the U.S. Embassy reports by the fifteenth of January, April, July and October covering the information referred to in sub-paragraphs 2, 3 and 4 of the aforementioned paragraph and to return the completed "arrival and shipping information" (ADP sheets) with appropriate notations certifying receipt of all commodities as soon as possible but not later than 30 days from the date of unloading in the importing country or 30 days from receipt of the ADP sheets, whichever is later.

10. The U.S. representatives advised the ROKG representatives that section 103 (1) of PL 480 provides that importing countries of Title I commodities will publicize extensively through public media and other means that the Title I commodities are being provided on a concessional basis to Korea by the United States. In this connection the March 25, 1967 Title I Agreement states in part I article III, paragraph I that "The Government of the importing country shall undertake such measures as may be mutually agreed prior to delivery for the identification of food commodities at points of distribution in the importing country, and for publicity as provided for in sub-section 103 (1) of the Act." The ROKG representatives stated they concurred in this point and would provide adequate publicity as had been provided in previous years.

11. The U.S. representatives explained that the present Agreement outlines a new procedure for the handling of sales proceeds owned by the cooperating country, noting that

* Not published.

PL 480 sales proceeds no longer need to be deposited in a special account. The U.S. representatives pointed out that the Agreement stipulates that the sales proceeds (less any amounts paid under the "Currency Use Payment" provision) will be used for the Self-Help Measures of the Agreement and for the economic development purposes of the agricultural sector of the ROKG Third Five Year Plan. As stated in the Agreement the ROKG will be required to report annually, or more often if requested by the USG, that an amount at least equal to the local currency equivalent of the Title I Agreement (less payments under the Initial Payment and Currency Use Payment provisions) was utilized for the above purposes. The ROKG representatives stated that they understood the new provisions of the Agreement.

12. The U.S. representatives noted that, as had been required in the past, if the ROKG wishes to engage the services of a U.S. person or firm as its agent to handle procurement of commodities and/or ocean transportation, such agent must be approved by USDA unless approval has been obtained previously. A copy of the written agreement between the recipient Government and the U.S. agent must be submitted to USDA for approval prior to the issuance of applicable Purchase Authorizations. However, prior to entering into such an Agreement the ROKG representatives must first discuss with USDA specific provisions to be contained in the Agreement and the qualifications of specific agents to be considered. The ROKG representatives agreed to this point.

The preceding points discussed during the negotiations regarding the Agreement are understood and accepted by the Government of the Republic of Korea.

MICHAEL H. B. ADLER
Director, USAID
Government of the United States
of America
April 12, 1973

TAE, WAN-SON
Deputy Prime Minister
Government of the Republic
of Korea
April 12, 1973

LETTER OF UNDERSTANDING

UNITED STATES MISSION — KOREA
SEOUL, KOREA

Director, Economic Affairs, and Director,
U.S. Agency for International Development

April 11, 1973

Dear Mr. Deputy Prime Minister:

I refer to the proposed Title I Agreement for calendar year 1973 currently under negotiation, the Memorandums of Discussions between the Ministry of Defense and JUSMAG/Korea, signed by Assistant Minister for Logistics and Installations and Chief JUSMAG/K on August 4, 1972 and February 7, 1972, and the letter to the then Deputy Prime Minister from USAID Director Howard Houston, dated April 7, 1971. In this letter I wish to update our letter of February 10, 1972 in summarizing the economic aspects of our joint negotiations regarding the Defense Modernization Plan and the P.L. 480 Offset Program.

1. Your Government has agreed to fund items worth \$50 million under the Republic of Korea's Defense Budget during CY 1973. This amount consists of items previously transferred to the Republic of Korea's budget during CY 1971 and CY 1972 and an additional amount agreed to during CY 1973. These items were formerly provided under the Military Assistance Program.

2. In consideration of the above transfer action, the United States, in addition to commodities worth \$75 million provided through 1972, will provide (subject to the availability of funds and commodities) as part of the CY 1973 Title I Agreement a total of \$50 million worth of agricultural commodities on convertible local currency credit terms, consisting of the following elements:

- (A) Dollars 10 million worth of agricultural commodities as partial offset for items worth \$20 million transferred to the Government's budget during CY 1971.
- (B) Dollars 20 million worth of agricultural commodities as offset for items transferred to the Government's budget during CY 1972.
- (C) Dollars 10 million worth of agricultural commodities as offset for items transferred to the Government's budget during CY 1973.
- (D) Dollars 10 million worth of agricultural commodities as a 20 percent currency use payment (U.S. use).

3. As further consideration for the transfer actions outlined in paragraph 1 above, the United States, subject to the availability of P.L. 480 funds and commodities, will undertake to provide the following agricultural commodities on CLCC terms:

- (A) In CY 1974, \$10 million as partial offset for items worth \$20 million transferred during CY 1972 and \$10 million as an offset for items transferred during CY 1973.
- (B) In CY 1975, \$5 million as partial offset for items worth \$10 million transferred during CY 1973.

It is anticipated that the levels for CY 1974 and CY 1975 will have 20 percent currency use payments added on to the offset amounts.

4. The offset levels outlined in paragraphs 2 and 3 above represent the maximum offsets to be provided to the Republic of Korea for the items transferred to the budget during CY 1971, CY 1972, and CY 1973.

5. In conformance with P.L. 480 legislation, the won generated for the Republic of Korea's use under the CLCC Agreement will be used for economic development purposes.

6. Documentation of the actual costs incurred by the Republic of Korea in the procurement of the agreed upon transferred items will be provided to JUSMAG/Korea in the frequency and format specified by JUSMAG/Korea.

I would appreciate a response to this letter, indicating your Government's concurrence with the points outlined above.

Sincerely yours,

[Signed]

MICHAEL H. B. ADLER
Director

His Excellency Tae, Wan Son
Deputy Prime Minister
Minister of Economic Planning Board
Republic of Korea
Seoul, Korea

*Accepted and Agreed to
for the Republic of Korea:*

April 11, 1973

[Signed]

TAE, WAN SON

Deputy Prime Minister
Minister of
Economic Planning Board

EXCHANGE OF NOTES CONSTITUTING AN AGREEMENT¹ BETWEEN THE UNITED STATES OF AMERICA AND THE REPUBLIC OF KOREA AMENDING THE AGREEMENT OF 12 APRIL 1973 FOR SALES OF AGRICULTURAL COMMODITIES²

I

DEPARTMENT OF STATE
WASHINGTON

May 29, 1973

Excellency:

I have the honor to refer to the Agricultural Commodities Agreement signed by representatives of our two Governments on April 12, 1973,² and to propose that part II, Particular Provisions, be amended by adding Rice to the Agreement as follows:

Item I. Commodity Table:

Under the appropriate column headings add: "Rice (Brown basis) — 1973 — 140,000 M/T — 32.0". Under the column "Maximum Export Market Value" and on the line entitled "Total" delete "94.8" and insert "126.8".

Item II. Payment Terms:

Under paragraph 1, Initial Payment, and under paragraph 2.A., Currency Use Payment, delete so much as reads: "44.8" and substitute: "76.8".

Item III. Usual Marketing Table:

Under the appropriate column headings add: "Rice (Brown basis) — 1973 — 80,000 metric tons".

Item IV. Export Limitations:

In sub-paragraph B., between "... predominately" and "for cotton ...", delete the word "and" and the following comma. At the end of the sentence delete the period, substitute a semi-colon and add: "and, for rice — rice in the form of paddy, brown or milled."

All other terms and conditions of the April 12, 1973 Agreement remain the same.

¹ Came into force on 29 May 1973, the date of the note in reply, in accordance with the provisions of the said notes.

² See p. 88 of this volume.

If the foregoing is acceptable to Your Excellency's Government, I have the honor to propose that this note and your reply thereto constitute an agreement between our two Governments effective on the date of your note in reply.

Accept, Excellency, the assurances of my highest consideration.

[Signed]

JOHN A. HANNAH
Administrator
Agency for International Development

His Excellency Tae Wan-Son
Deputy Prime Minister and Minister
Economic Planning Board
of the Republic of Korea

II

EMBASSY OF THE REPUBLIC OF KOREA
WASHINGTON, D.C.

May 29, 1973

Sir,

I have the honor to refer to your proposal 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 proposal.

Accept, Sir, the assurances of my highest consideration.

[Signed]

TAE, WAN SON
Deputy Prime Minister and Minister
Economic Planning Board

The Honorable John A. Hannah
Administrator
Agency for International Development
Washington, D.C.