

No. 26525

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

**Agreement for sales of agricultural commodities under the
Public Law 480 Title I Program (with minutes of nego-
tiation). Signed at Seoul on 18 May 1981**

Authentic text: English.

Registered by the United States of America on 27 April 1989.

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

**Accord relatif à la vente de produits agricoles conclu en
vertu du Titre I de la Loi 480 (avec procès-verbal de
négociation). Signé à Séoul le 18 mai 1981**

Texte authentique : anglais.

Enregistré par les États-Unis d'Amérique le 27 avril 1989.

AGREEMENT¹ BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE REPUBLIC OF KOREA FOR SALES OF AGRICULTURAL COMMODITIES UNDER THE PUBLIC LAW 480 TITLE I PROGRAM

The Government of the United States of America and the Republic of Korea Government agree to the sales of agricultural commodities specified below. This agreement shall consist of the preamble, parts I and III of the Title I Agreement signed June 7, 1979,² together with the following Part II.

PART II. PARTICULAR PROVISIONS

Item I. COMMODITY TABLE

<i>Commodity</i>	<i>Supply period (U.S. Fiscal Year)</i>	<i>Approximate maximum quantity (metric tons)</i>	<i>Maximum export market value (\$ millions)</i>
Wheat	1981	154,000	27.0
TOTAL			27.0

Item II. PAYMENT TERMS

Convertible local currency credit (CLCC)

- (1) Initial payment: five (5) per cent.
- (2) Currency use payment: thirty-five (35) per cent for section 104 (A) purposes.
- (3) Amount of each installment payment: approximately equal annual amounts.
- (4) Number of installment payments: thirty-one.
- (5) Due date of the first installment payment: ten (10) years after the date of the last delivery of commodities in each calendar year.
- (6) Initial interest rate: two (2) per cent.
- (7) Continuing interest rate: three (3) per cent.

Item III. USUAL MARKETING TABLE

<i>Commodity</i>	<i>Import period (U.S. FY)</i>	<i>UMR (Metric tons)</i>
Wheat	1981	1,500,000

Item IV. EXPORT LIMITATIONS

A. With respect to the commodity financed under this agreement, the export limitation period for the same or like commodity shall be the United States

¹ Came into force on 18 May 1981 by signature, in accordance with item VI (C).

² United Nations, *Treaty Series*, vol. 1204, p. 319.

fiscal year 1981 or any subsequent U.S. fiscal year in which the commodity financed under this agreement is being imported or utilized.

B. For the purposes of part I, article III A (4), of the Agreement, the commodities which may not be exported are for wheat: wheat, wheat flour, rolled wheat, semolina, farina, or bulgur (or the same products under a different name).

Item V. SELF-HELP MEASURES

The government of the importing country agrees to undertake self-help measures to improve the production, storage, and distribution of agricultural commodities. The following self-help measures shall be implemented to contribute to development progress in poor rural areas and enable the poor to participate actively in increasing agricultural production through small farm agriculture.

- A. Continue to strengthen the underlying foundation of the agricultural sector by providing additional capital to train more agricultural specialists in both basic and applied sciences and by providing adequate research and training facilities to carry out experimentation and to extend results to users.
- B. Continue the basic and applied research efforts directed towards: (1) increasing production of major food grains, especially rice; (2) facilitating the expansion and improvement of agricultural mechanization and irrigation; and, (3) improving land utilization patterns for rice and other commodity production.
- C. Increase and improve storage facilities for food grains in port areas, at regional terminals and at local markets.
- D. Expand and improve family planning programs and service to help further reduce population growth, especially in the rural areas.

Item VI. ECONOMIC DEVELOPMENT PURPOSES FOR WHICH PROCEEDS ACCRUING TO THE IMPORTING COUNTRY ARE TO BE USED

A. 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 the agreement, and for the following development sector: agricultural and rural development, in a manner designed to increase the access of the poor in the recipient country to an adequate, nutritious, and stable food supply.

B. All of the proceeds from the sale of the commodities financed under this agreement will be used in support of the specific projects or programs described below. These projects or programs are included in the progress report of the ROKG on self-help measures dated November 30, 1979.

1. To strengthen the infrastructural foundation of agricultural production.
 - a. Development of agricultural water facilities
 - b. Expansion of agricultural land for major crops
 - c. Support of special crop production
2. To facilitate the expansion and improvement of agricultural mechanization.
 - a. Supply of major agricultural machinery
 - b. Technical training on agricultural machinery

ITEMS COVERED DURING PL 480 NEGOTIATIONS, APRIL
AND MAY, 1981 BETWEEN USG AND ROKG

Agreement will consist of

- A. Preamble, Parts I and III of 1979 Agreement
- B. New Part II

This \$27.0 million is final portion of U.S. commitment under the 1971 textile agreement.

Credit meeting in August agreed to corn as commodity, but this changed to wheat because of limited U.S. supplies of corn.

U.S. looks to Korea to continue to purchase U.S. agricultural commodities for cash and with GSM-102 guaranteed funds.

Financing terms are same as previous agreement — convertible local currency credit of 40 years term, 10 year grace period, 2% interest rate during grace period and 3% afterwards, initial payment of 5% and an increase in currency use payment (CUP) to 50% for U.S. Government requirements (later reduced to 35%).

Commodity Composition. 154,000 metric tons of wheat, \$27.0 million, supply period FY 1981.

Dollar value is the maximum export value despite estimated quantity given above. In case of price increases Korea will be limited to dollar value in accordance with article I, E, Part I of the agreement.

Usual marketing requirements will be 1,500,000 metric tons of wheat in FY 1981. (UMR's are based upon 1975-79 average commercial imports.) In keeping with PL-480 legislation and the U.S.-Korean agricultural consultations, the USG continues to look to Korea to maintain and increase purchases of U.S. food and agricultural products.

Part II, item V specifies the self-help measures to be carried out with the proceeds of the wheat sale. These measures should directly improve the lives of the poorest in the recipient country, including programs in agricultural development, rural nutrition, and population planning. Korea's proposed program must be furnished the Embassy before this agreement is signed. (Program was furnished and is included in item VI).

Purchase authorizations will be issued only after the Secretary of Agriculture has determined:

- A. Adequate storage facilities are available in Korea at time of export so as to prevent the spoilage or waste of the commodity.
- B. Distribution of the commodity in Korea will not result in a substantial disincentive to or interference with domestic production or marketing.

Purchases must be made on the basis of invitations for Bid (IFB), publically advertised in the United States and on the basis of bid offerings conforming to the IFB. Bid offerings must be received and publically opened in the United States. All awards must be consistent with open, competitive, and responsive bid procedures. All terms of the IFB's including those for ocean freight must be approved by the General Sales Manager, USDA, prior to issuance.

Commissions, fees or other payments to selling agents are prohibited. If the Korean Government nominates a purchasing and/or shipping agent to handle the commodities or arrange transportation under this proposed agreement, the ROKG must notify the General Sales Manager/USDA in writing of such nomination and provide a copy of the proposed agency agreement. GSM must approve all such agents.

ROKG should provide information on its capability to receive, store and distribute the PL 480 wheat, as well as providing

- 1) Type and grade of commodity to be purchased (using U.S. standards)
- 2) Proposed contracting and delivery schedules
- 3) Names and addresses of banks, both U.S. and foreign, handling this transaction
- 4) Assurances that ROKG authorities of funds to cover ocean freight costs and any initial payments.

ROKG should make relay to its Washington Embassy all instructions, information and authority necessary to enable timely implementation of the agreement including;

- 1) Commodity specifications
- 2) Contracting and delivery periods
- 3) Names and addresses of U.S. and Korean banks handling the letters of credit
- 4) Authority to request and sign purchase authorizations and other documents
- 5) Instructions/information/authority regarding the purchasing of commodities and contracting for freight
- 6) Appointment of purchasing and/or shipping agents
- 7) Instructions to contact the Program Operations Division, Office of the General Sales Manager, USDA regarding the above.

ROKG should be aware that commodity suppliers are refusing to load vessels when acceptable letters of credit for both commodity and freight are not available at time of loading, resulting in costly claims for demurrage and carrying charges.

1) Delays in opening letters of credit and settlement of the final ten percent of freight will also result in higher prices and rates.

2) ROKG should make assurances that these L/C's will be opened and confirmed by a U.S. bank immediately after contracting of each purchase authorization (PA), and before vessels arrive at U.S. ports.

3) L/C's for ocean freight should be opened for 100 percent of charges before vessel is presented for loading.

ROKG has the responsibility to submit timely reports on compliance, arrival and shipping information (article III (D)), self-help activities (Article III (C)) and use of sales proceeds (article III (F)).

ROKG should undertake such measures as may be mutually agreed, prior to the delivery of the commodities, for the identification and publicity of commodities to be received as provided in Section 102 (L) of the PL-480 Act.

Finally, the ROKG should provide details of the specific projects or programs to be carried out using the proceeds of the sale of wheat financed under this Agreement.

The Korean negotiators felt the ROKG could carry out all of their responsibilities outlined above, but asked for a 10% CUP, rather than the proposed 50%. The U.S. side promised to explore this point with Washington agencies concerned. Washington came back with a 35 percent CUP offer, which was then transmitted to the Korean side.

The Korean side provided on April 27 the details requested earlier. They asked for white or red wheat, U.S. No. 2 or better, to be purchased by KOFMIA, as their agent. The banks are First Chicago International and the Korea Exchange Bank.

Deliveries will be during June, July and August. Contracting period to be the opening of the P.A. (as soon as possible) through August 31, 1981. Storage capacity is 2,353,000 metric tons. Self-help measures are to strengthen infrastructural foundation of agricultural production, to facilitate the expansion and improvement of agricultural mechanization, to train the young agriculturalists to replace the current farming generation and to improve the marketing of agricultural products.

The proposed 35 percent CUP was accepted.

The formal signing of the agreement was decided to be at 10 a.m., May 18, 1981, at the EPB Building.

Initialed by: U.S.A.

[Illegible]

Korea

[Illegible]