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 AGREEMENT[1] 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 he 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 commerical 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 :

Commodity	*Export Market Value (millions)*
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 maintainted 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