

No. 221

The Embassy of the United States of America presents its compliments to the Ministry of Foreign Affairs and Trade of the Republic of Korea and has the honor to refer to recent negotiations between the United States of America and the Republic of Korea regarding the Agreement concerning Special Measures (SMA), in which both governments recognized the importance of the SMA in support of the Alliance and the importance of maintaining a strong deterrent posture.

The Embassy has the honor to confirm the United States of America's agreement with the Republic of Korea that the Implementation Arrangement to the SMA will be drafted by the Joint Cost Sharing Committee and shall include under the category of Logistics Cost Sharing certain leases excluding family housing and facilities sustainment. Additionally, the Embassy has the honor to confirm the United States of America's agreement with the Republic of Korea to establish a technical working group under the supervision of the Joint Cost Sharing Committee, consisting of representatives from the concerned agencies of both governments, to conduct discussions concerning the allocation of SMA

funds for United States Forces Korea priority construction projects. The representatives on the technical working group shall report the results of these discussions to their respective governments no later than May 16, 2005.

The Embassy of the United States of America avails itself of this opportunity to renew to the Ministry of Foreign Affairs and Trade of the Republic of Korea the assurances of its highest consideration.

Embassy of the United States of America

Seoul, April 26, 2005





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MINISTRY OF FOREIGN AFFAIRS AND TRADE  
REPUBLIC OF KOREA

OSJ - 1447

The Ministry of Foreign Affairs and Trade of the Republic of Korea presents its compliments to the Embassy of the United States of America and, with reference to the latter's Note of April 26 concerning the implementation of the Special Measures Agreement(SMA), has the honor to inform the Embassy that the Government of the Republic of Korea shares the understandings of the Government of the United States mentioned in that Note.

The Ministry of Foreign Affairs and Trade of the Republic of Korea avails itself of this opportunity to renew to the Embassy of the United States of America the assurances of its highest consideration.

Seoul, April 27, 2005



**AGREEMENT BETWEEN  
THE UNITED STATES OF AMERICA AND  
THE REPUBLIC OF KOREA  
CONCERNING SPECIAL MEASURES RELATING TO  
ARTICLE V OF THE AGREEMENT UNDER ARTICLE IV  
OF THE MUTUAL DEFENSE TREATY BETWEEN  
THE REPUBLIC OF KOREA AND  
THE UNITED STATES OF AMERICA REGARDING FACILITIES  
AND AREAS AND THE STATUS OF UNITED STATES ARMED  
FORCES IN THE REPUBLIC OF KOREA**

The United States of America and the Republic of Korea (hereinafter referred to as "the Parties") have agreed to take the following special measures relating to Article V of the Agreement under Article IV of the Mutual Defense Treaty between the United States of America and the Republic of Korea regarding facilities and areas and the status of United States Armed Forces in the Republic of Korea (hereinafter referred to as "the Status of Forces Agreement"), signed at Seoul on July 9, 1966, as amended, which sets forth the principles on the sharing of expenditures incident to the maintenance of the United States Armed Forces in Korea:

#### **Article I**

The Republic of Korea shall bear, for the duration of this Agreement, as a special measure relating to Article V of the Status of Forces Agreement, an equitable part of the expenditures for the employment of Korean employees of the United States Armed Forces in Korea and of other expenditures associated with the stationing of the United States Armed Forces in Korea. The contribution of the Republic of Korea shall be categorized into Labor Cost Sharing, Republic of Korea Funded Construction, Combined Defense Improvement Projects and Logistics Cost Sharing.

#### **Article II**

The duration of this Agreement shall be two years. The cost-sharing contribution of the Republic of Korea for 2005 is 680.4 billion Korean Won. The second year's contribution shall be determined by increasing the contribution of 2005 by 3 percent (escalation rate) plus the inflation rate (Gross Domestic Product Deflator) published by the Korea National Statistical Office for the year before the previous year. Notwithstanding the preceding sentence, the United States of America agrees to waive for 2006 the escalation and inflation increases. Each year's Labor Cost Sharing Contributions shall be made in three equal payments on or before April 1, June 1 and August 1 of that year. Republic of Korea Funded Construction payments shall be made in two equal installments with 50 percent paid on March 1 of the program year and 50 percent paid one year later

(March 1). Implementation of this Agreement shall be in accordance with a separate implementation arrangement between the concerned authorities of the Parties. Contributions shall consist of cash support for Labor Cost Sharing as well as a certain proportion of Republic of Korea Funded Construction, and in-kind support for Combined Defense Improvement Projects, Logistics Cost Sharing and a certain proportion of Republic of Korea Funded Construction.

All materials, supplies, equipment and services provided as part of the in-kind contribution shall be exempt from Republic of Korea taxes, or provided on an after-tax basis. Such materials, supplies, equipment, and services procured by the Government of the Republic of Korea shall be exempt from special excise taxes and value added taxes. In the case of value added taxes, the zero rate shall be applied. If taxes are levied against any such materials, supplies, equipment or services, payment of such taxes shall not be made from cost-sharing funding.

### **Article III**

This Agreement shall enter into force upon exchange of written notification by the Parties that their respective domestic legal procedures necessary for the entry into force of this Agreement have been completed with effect from January 1, 2005, and shall remain in force until December 31, 2006.

### **Article IV**

The Parties may consult on all matters regarding this Agreement through the Joint Committee provided for in Paragraph 1 of Article XXVIII of the Status of Forces Agreement, or through the Joint Cost-Sharing Committee, which is composed of representatives appointed by the Parties.

**Article V**

This Agreement may be revised or amended in writing by mutual consent. The revision or amendment of this Agreement shall enter into force on the date when the Parties exchange written notifications that their domestic legal requirements for such revision or amendment have been fulfilled.

IN WITNESS WHEREOF, the undersigned, duly authorized for the purpose, have signed this Agreement.

DONE at Seoul this 9th day of June 2005, in duplicate in the English and Korean languages, both texts being equally authentic.

FOR THE UNITED STATES OF AMERICA



FOR THE REPUBLIC OF KOREA

