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**Implementation Arrangement  
For Special Measures Agreement**

## Implementation Arrangement for Special Measures Agreement

This arrangement shall be used to implement the 2002-2004 Special Measures Agreement between the Republic of Korea and the United States of America.

1. After consultation with the Republic of Korea Ministry of National Defense (hereinafter referred to as ROK MND), United States Forces Korea (hereinafter referred to as USFK) shall provide the ROK MND with the category distributions. This notification shall be provided within 10 days of execution of the 2002 agreement and not later than February 1 for each of the following years.
2. The amount of the 2003 and 2004 contributions shall be calculated as follows. First calculate the adjustment factor by adding a fixed growth rate of 8.8 percent to the annual Gross Domestic Product (GDP) Deflator published by the Korea National Statistic Office for the year before the previous calendar year. Next, calculate the annual increase by multiplying the adjustment factor by the contribution for the previous year. When calculating the 2003 contribution, the "previous year" will be 2002, and, when calculating the 2004 contribution, the "previous year" will be 2003. Finally, calculate the contributions for 2003 and 2004 by adding the previous year's contribution to the calculated annual increase, respectively.
3. The Won-Dollar mix of the ROK contributions shall be as follows: 88 percent of the contribution shall be paid in Korean Won and 12 percent in US Dollars.
4. Cost-sharing contributions shall be distributed among the following categories:
  - a. Labor: The Labor cost sharing program is a cash program, paid in Korean Won. Contributions provided by the ROK shall be used solely to pay salaries and benefits for Korean National employees in the ROK. USFK shall provide an annual execution report for the previous year to ROK MND, Budget and Finance Bureau not later than February 1 for the previous year.

The total amount of the ROK contribution shall be no more than 71 percent of USFK total labor costs for Korean employees. No additional formal agreement is required for the labor program.

b. Republic of Korea Funded Construction (ROKFC). The ROKFC program is a cash and in-kind program, paid in a mix of US Dollars and Korean Won. The in-kind contribution will constitute 5 percent of the overall contributions for the ROKFC program for the duration of this Agreement. Projects will be selected and approved by Commander, USFK. ROK MND must use Far East District Corps of Engineer-approved contractors and allow project oversight by the United States Department of Defense Construction Agent. Additional implementing details for the ROKFC program shall be established in a separate agreement between ROK MND and USFK no later than 90 days after signing of the SMA. The cash contributions provided by the ROK will be used by the US to supervise and execute the design and construction of facilities to be constructed or improved in the ROK for the use of the US armed forces. However, these funds cannot be used to construct, expand, repair, or manage such facilities as clubs, golf courses, theaters and bowling alleys. Korean materials will be used to the maximum extent practicable provided they meet applicable US and Korean standards. USFK will provide an information copy of the draft project list within seven days after the USFK Commander approves this list and promptly update that list upon approval by US authorities. If the construction is not done by US Forces, the construction contract will be awarded to a Korean contractor. Copies of all contracts awarded with ROKFC contributions and quarterly execution reports shall be provided to the Director of the Installations Bureau of the ROK MND. USFK-related environmental issues are important. USFK shall make an effort to use the ROKFC contribution in constructing new facilities that take into account environmental protection. Facilities constructed under the ROKFC program or improvements made under that program will be automatically granted to the US under Article II of the Status of Forces Agreement; however, such facilities and improvements will be considered as being "provided by the ROK" for purposes of the Agreed Minutes to Article IV of the SOFA and will be returned to the ROK when they are no longer needed for purposes of the SOFA. No additional formal agreement is required for the ROKFC program.

c. Combined Defense Improvement Projects (CDIP). The CDIP program is primarily an in-kind program. The design costs are paid in cash. Under CDIP, the Republic of Korea constructs facilities for use by the US armed forces. In the spirit of the CDIP program, the ROK MND and USFK shall favorably consider placement of a high priority on developing or maintaining joint-use facilities. Facilities constructed under the CDIP program or improvements made under that program shall be automatically granted to the US under Article II of the Status of Forces Agreement; however, such facilities and improvements shall be considered as being "provided by the ROK" for purposes of the Agreed Minutes to Article IV of the SOFA and shall be returned to the ROK when they are no longer needed for purposes of the SOFA. Equal access to joint-use facilities shall be provided to both Parties. Implementation of the CDIP program shall be in accordance with a separate, single implementation agreement.

d. Logistics Cost Sharing (LCS). The LCS program is an in-kind program. Under LCS, the ROK furnishes logistics equipment, supplies, and services in such fields as ammunition storage and maintenance; transportation; repair and maintenance of equipment; and non-tactical vehicles to include rail cars. Implementation of the LCS program shall be in accordance with a separate, single implementation agreement. USFK can revise the allocation of LCS funds by amending the implementation agreement through consultation with the Logistics Management Bureau of the ROK MND. USFK shall order the supplies and services based on contracts negotiated by USFK and awarded by ROK MND, and shall promptly forward all certified invoices for supplies and services received to the ROK MND. The Logistics Management Bureau shall exercise a carry-over process of funds into the subsequent calendar year for work or products that are on contract but cannot be delivered by December 31 of the current calendar year.

5. The Joint Cost Sharing Committee, which shall have the Director General, Policy Planning Bureau, ROK MND and the Assistant Chief of Staff, J-5, USFK as co-chairmen, shall meet at the request of either Party.

6. This Implementation Arrangement shall enter into force upon exchange of written notification by the Republic of Korea and the United States of America that the Special Measures Agreement

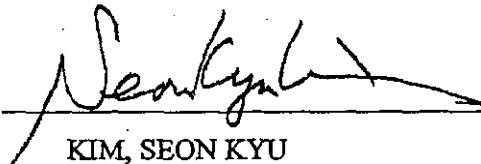
has been approved in accordance with their respective domestic legal procedures effective January 1, 2002, and shall remain in force for the duration of the Special Measures Agreement.

DONE at Seoul, Korea, this 4<sup>th</sup> day of APRIL, 2002, in duplicate in the English and Korean Languages, both texts being equally authentic.



TIMOTHY E. DONOVAN  
Brigadier General, USMC  
Assistant Chief of Staff, J5  
United States Forces Korea

4 APRIL 2002



KIM, SEON KYU  
Major General, ROKA  
Director General, Policy Planning Bureau  
Ministry of National Defense

4 APRIL 2002

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 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

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 three years. The cost-sharing contribution of the Republic of Korea for 2002 is 58.8 Million US Dollars plus 536.8 Billion Korean Won. The 2003 and 2004 contribution shall be determined by increasing the contribution of the previous year by 8.8 percent plus the inflation rate (Gross Domestic Product Deflator) published by the Korea National Statistical Office for the year before the previous year. Each year's Labor Cost Sharing Contributions shall be made in three equal payments on or before March 1, May 1, and July 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 to be executed concurrently 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. The Korean Won portion of the total contribution shall be 88 percent for the duration of this Agreement.

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, 2002, and shall remain in force until December 31, 2004.

### 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

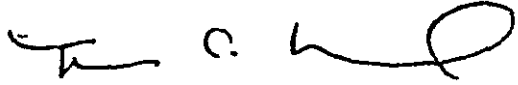
This Agreement may be revised or amended in writing by mutual consent. The revision or amendment of this Agreement shall enter into force on the date when the Parties exchange written notifications that their domestic legal requirements for such revision or amendment have been fulfilled.



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

DONE at Seoul, this 4th day of April, 2002, in  
duplicate in the English and Korean languages, both texts being equally authentic.

FOR THE UNITED STATES OF AMERICA



FOR THE REPUBLIC OF KOREA

