FORM N-2/A

Initial filing of a registration statement on Form N-2 for closed-end investment companies [amend]

Filing Date: **1994-10-24**
SEC Accession No. 0000950135-94-000610

FILER

FIDELITY ADVISOR KOREA FUND INC
CIK:**926431**| State of Incorp.:**MD** | Fiscal Year End: **1031**
Type: **N-2/A** | Act: **33** | File No.: **033-81186** | Film No.: **94554752**

Mailing Address
82 DEVONSHIRE STREET
BOSTON MA 02109

Business Address
82 DEVONSHIRE STREET
MAILZONE
BOSTON MA 02109
6175638668

FIDELITY ADVISOR KOREA FUND INC
CIK:**926431**| State of Incorp.:**MD** | Fiscal Year End: **1031**
Type: **N-2/A** | Act: **40** | File No.: **811-08608** | Film No.: **94554753**

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BOSTON MA 02109

Business Address
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AS FILED WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION ON OCTOBER 24, 1994

SECURITIES ACT FILE NO. 33-81186
INVESTMENT COMPANY ACT FILE NO. 811-8608

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM N-2
(check appropriate box or boxes)

/X/ REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

/X/ PRE-EFFECTIVE AMENDMENT NO. 3

/ / POST-EFFECTIVE AMENDMENT NO.
AND/OR
/X/ REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940

/X/ AMENDMENT NO. 3

FIDELITY ADVISOR KOREA FUND, INC.
(Exact Name of Registrant as Specified in Charter)
82 DEVONSHIRE STREET, BOSTON, MASSACHUSETTS 02109
(Address of Principal Executive Offices)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (800) 426-5523

ARTHUR S. LORING, SECRETARY
FIDELITY ADVISOR KOREA FUND, INC.
82 Devonshire Street
Boston, Massachusetts 02109
(Name and Address of Agent for Service)

With copies to:

<TABLE>
<S> <C>

LAURENCE E. CRANCH, ESQ.
LEONARD B. MACKEY, JR., ESQ.
ROGERS & WELLS
200 Park Avenue
New York, New York 10166
(212) 878-8000

SARAH E. COGAN, ESQ.
SIMPSON THACHER & BARTLETT
425 Lexington Avenue
New York, New York 10017-3909
(212) 455-2000

</TABLE>

Approximate Date of Proposed Public Offering: As soon as practicable after the effective date of this registration statement.

If any securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box. / /

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

<TABLE>
<CAPTION>

TITLE OF SECURITIES BEING REGISTERED	AMOUNT BEING REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER SHARE(2)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(2)	AMOUNT OF REGISTRATION FEE(3)(4)
<S>	<C>	<C>	<C>	<C>
Common Stock, $.001 Par Value...	6,037,500 Shares(1)	$15.00	$90,562,500	$32,229

</TABLE>

(1) Includes 787,500 shares subject to the U.S. Underwriters' over-allotment option. The amount of the shares of Common Stock being registered includes any shares initially offered or sold outside the United States and Canada that are thereafter sold or resold in the United States or Canada. Offers and sales of shares outside the United States and Canada are not covered by

this Registration Statement.

(2) Estimated solely for purposes of calculating the registration fee.

(3) Includes $24,794 previously paid.

(4) Includes $1,000 registration fee under the Investment Company Act of 1940.
</TABLE>

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

CROSS REFERENCE SHEET

PARTS A AND B OF PROSPECTUS*

<TABLE>
<CAPTION>

ITEMS IN PARTS A AND B OF FORM N-2	LOCATION IN PROSPECTUS
1. Outside Front Cover	Front Cover Page
2. Inside Front and Outside Back Cover Page	Front Cover Page; Inside Front Cover Page; Outside Back Cover Page
3. Fee Table and Synopsis	Summary; Summary of Expenses
4. Financial Highlights	Not Applicable
5. Plan of Distribution	Cover Page; Summary; Underwriting
6. Selling Shareholders	Not Applicable
7. Use of Proceeds	Use of Proceeds
8. General Description of the Registrant	Cover Page; Summary; The Fund; Investment Objective and Policies; Investment Restrictions; Risk Factors and Special Considerations; Description of Capital Stock
9. Management	Management of the Fund; Portfolio Transactions; Description of Capital Stock; Custodians, Transfer Agent, Dividend Paying Agent and Registrar
10. Capital Stock, Long-Term Debt and Other Securities	Summary; Dividends and Distributions; Dividend Reinvestment and Cash Purchase Plan; Taxation; Description of Capital Stock; Underwriting
11. Defaults and Arrears on Senior Securities	Not Applicable
12. Legal Proceedings	Not Applicable
13. Table of Contents of the Statement of Additional Information	Not Applicable
14. Cover Page	Not Applicable
15. Table of Contents	Not Applicable
16. General Information and History	The Fund
17. Investment Objective and Policies	Investment Objective and Policies; Investment Restrictions
18. Management	Management of the Fund
19. Control Persons and Principal Holders of Securities	Not Applicable
20. Investment Advisory and Other Services	Management of the Fund; Custodian, Transfer Agent, Dividend Paying Agent and Registrar; Experts
21. Brokerage Allocation and Other Practices	Portfolio Transactions
22. Tax Status	Taxation
23. Financial Statements	Report of Independent Accountants; Statement of Assets and Liabilities

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* Pursuant to the General Instructions to Form N-2, all information required to be set forth in Part B: Statement of Additional Information has been included in Part A: The Prospectus.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH

THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION, DATED OCTOBER 24, 1994

PROSPECTUS

OCTOBER , 1994

[LOGO OF PYRAMID] 5,250,000 SHARES

FIDELITY ADVISOR KOREA FUND, INC.

COMMON STOCK

Fidelity Advisor Korea Fund, Inc. (the "Fund") is a newly organized, non-diversified, closed-end management investment company. The Fund's investment objective is long-term capital appreciation. The Fund seeks to achieve its objective by investing primarily in equity and debt securities of Korean Issuers (as defined in this Prospectus). Under normal market conditions, the Fund will invest at least 65% of its total assets in such securities. The Fund's investment manager and investment adviser currently anticipate that, once fully invested, at least 80% of the Fund's net assets will be invested in equity securities of Korean Issuers. There can be no assurance that the Fund's investment objective will be achieved. Up to 35% of the Fund's total assets may be invested in equity and debt securities of Asian Issuers (as defined in the Prospectus) other than Korean Issuers. Due to the risks inherent in international investments generally, the Fund should be considered as a vehicle for investing a portion of an investor's assets in foreign securities markets and not as a complete investment program. INVESTMENT IN KOREAN SECURITIES INVOLVES RISKS THAT ARE NOT NORMALLY INVOLVED IN INVESTMENTS IN SECURITIES OF U.S. COMPANIES. IN ADDITION, ALTHOUGH THE FUND CURRENTLY INTENDS TO INVEST PRINCIPALLY IN EQUITY SECURITIES, IT MAY INVEST WITHOUT LIMITATION IN HIGH RISK, HIGH YIELD DEBT INSTRUMENTS THAT ARE LOW RATED OR UNRATED AND ARE PREDOMINANTLY SPECULATIVE. INVESTMENT IN THE FUND SHOULD BE CONSIDERED SPECULATIVE. SEE "INVESTMENT OBJECTIVE AND POLICIES" AND "RISK FACTORS AND SPECIAL CONSIDERATIONS."

PRIOR TO THIS OFFERING, THERE HAS BEEN NO PUBLIC MARKET FOR THE SHARES (AS DEFINED IN THIS PROSPECTUS). THE FUND'S COMMON STOCK HAS BEEN APPROVED FOR LISTING ON THE NEW YORK STOCK EXCHANGE UPON NOTICE OF ISSUANCE UNDER THE SYMBOL "FAK." SHARES OF CLOSED-END INVESTMENT COMPANIES HAVE IN THE PAST FREQUENTLY TRADED AT DISCOUNTS FROM THEIR NET ASSET VALUES. THE RISK OF LOSS ASSOCIATED WITH THIS CHARACTERISTIC OF CLOSED-END INVESTMENT COMPANIES MAY BE GREATER FOR INVESTORS PURCHASING SHARES IN THE OFFERING AND EXPECTING TO SELL THE SHARES SOON AFTER THE COMPLETION THEREOF. THERE IS NO RESTRICTION ON THE NUMBER OF SHARES THAT MAY BE PURCHASED SUBJECT TO THE TRANSFER RESTRICTION DESCRIBED IN THE FOOTNOTES TO THE TABLE BELOW, EXCEPT THAT THE UNDERWRITERS HAVE UNDERTAKEN TO COMPLY, WITH RESPECT TO NON-RESTRICTED SHARES, WITH THE DISTRIBUTION REQUIREMENTS OF THE NEW YORK STOCK EXCHANGE. SEE "UNDERWRITING." TO THE EXTENT INVESTORS WHO ARE SUBJECT TO THE TRANSFER RESTRICTION SELL THEIR SHARES ONCE THE TRANSFER RESTRICTION IS NO LONGER APPLICABLE, THE MARKET PRICE OF THE FUND'S COMMON STOCK COULD BE ADVERSELY AFFECTED. IN ADDITION, THE TRANSFER RESTRICTION WILL REDUCE THE NUMBER OF SHARES AVAILABLE FOR SALE IN THE SECONDARY MARKET DURING THE 90-DAY RESTRICTION PERIOD.

This Prospectus sets forth concisely information about the Fund that a prospective investor should know before purchasing Shares. Investors are advised to read this Prospectus and retain it for future reference.

(Continued on following page)

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

<TABLE>
<CAPTION>

	PRICE TO PUBLIC(1)	SALES LOAD (1)(2)	PROCEEDS TO FUND(3)
<S>	<C>	<C>	<C>

Per Share.....	$15.00	$	$
Total(4).....	$78,750,000	$	$

<FN>

(Footnotes on following page)

</TABLE>

The Shares are offered by the several U.S. Underwriters subject to prior sale, when, as and if delivered to and accepted by them, subject to approval of certain legal matters by counsel for the U.S. Underwriters and certain other conditions, including the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that delivery of the share certificates will be made in New York, New York on or about October 31, 1994.

BARING SECURITIES INC. AND DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION ARE THE GLOBAL COORDINATORS OF THE OFFERING.

BARING SECURITIES INC. | DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION

DILLON, READ & CO. INC. | COWEN & COMPANY | LEGG MASON WOOD WALKER INCORPORATED

RAUSCHER PIERCE REFSNES, INC. | RAYMOND JAMES & ASSOCIATES, INC.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SHARES AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NEW YORK STOCK EXCHANGE, IN THE OVER-THE-COUNTER MARKETS OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT any TIME.

(Continued from previous page)

Of the 5,250,000 shares of the Fund's Common Stock offered (the "Shares"), Shares are being offered by the U.S. Underwriters in the United States and Canada (the "U.S. Offering") and Shares are being offered by the International Managers to non-U.S. and non-Canadian investors outside the United States and Canada (the "International Offering" and together with the U.S. Offering, the "Offering"), subject to transfer between the U.S. Underwriters and the International Managers (collectively, the "Underwriters"). The initial public offering price and sales load per Share are the same for both the U.S. Offering and the International Offering.

Fidelity Management & Research Company will serve as investment manager to the Fund. Fidelity International Investment Advisors will serve as the Fund's investment adviser. Pursuant to a Sub-Advisory Agreement, Fidelity International Investment Advisors has delegated certain of its responsibilities for the day-to-day management of the Fund to Fidelity Investments Japan Limited, which will serve as the Fund's sub-adviser and will manage the Fund's portfolio through its Tokyo office.

The address of the Fund is 82 Devonshire Street, Boston, Massachusetts 02109. The Fund's telephone

number is (800) 426-5523. [LOGO OF PYRAMID] is a registered trademark of FMR Corp.

(Notes from prior page)

(1) The "Price to Public" and "Sales Load" per Share will be reduced to $14.77 for purchases in single transactions (as defined herein under "Underwriting") of 200,000 or more Shares, subject to the following sentence. Purchasers who agree to purchase Shares at the reduced price will be restricted from transferring such Shares for a period of 90 days after the closing of the offering.

(2) The Fund, the investment manager, the investment adviser and the sub-adviser have agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

(3) Before deducting expenses payable by the Fund, estimated at $, which include up to $200,000 to be paid to the Underwriters in partial reimbursement of their actual expenses.

(4) The Fund has granted the U.S. Underwriters options, exercisable one or more times within 30 days after the date of this Prospectus, to purchase up to an aggregate of 787,500 additional shares of Common Stock at the Price to Public less Sales Load solely to cover over-allotments, if any. If all of such shares are purchased, the total Price to Public, Sales Load and Proceeds to Fund will be $90,562,500, $ and $, respectively, assuming no reduction as described in (1) above. See "Underwriting."

Unless otherwise specified, references in this Prospectus to "dollars," "U.S.$," or "$" are to U.S. dollars and references to "Won" or "W" are to Korean Won. On September 16, 1994, the market average exchange rate of the Won to the U.S. dollar, as published by the Korea Financial Telecommunications and Clearings Institute (the "Market Average Exchange Rate"), was W 812.00 = $1.00. Unless otherwise indicated, the U.S. dollar equivalent of information in Korean Won as of a date or for a period is as of such date or for the end of such period and is based on The Bank of Korea concentration base rate, if pre-March 1990, or the Market Average Exchange Rate, from March 1990. No representation is made that the Won or U.S. dollar amounts in this Prospectus could have been or could be converted into Won or U.S. dollars, as the case may be, at any particular rate or at all. See "Risk Factors -- Exchange Rate Fluctuations" and "The Republic of Korea -- Foreign Exchange" for additional information on the historical rate of exchange between the U.S. dollar and Won.

Certain numbers in this Prospectus have been rounded for ease of presentation, and, as a result, may not total precisely.

SUMMARY

The following summary is qualified in its entirety by reference to the more detailed information included herein.

The Fund.....	The Fund is a newly organized, non-diversified, closed-end management investment company established for investors seeking to invest a portion of their assets in a professionally managed portfolio composed primarily of securities of issuers in the Republic of Korea ("Korea"). Although the Fund currently intends to invest principally in equity securities, it also may invest in debt securities as described below. Fidelity Management & Research Company (the "Investment Manager") will serve as the Fund's investment manager and will supervise the Fund's investment program. Fidelity International Investment Advisors (the "Investment Adviser"), will be the investment adviser and may in its sole discretion either have day-to-day management responsibility or delegate such responsibility to Fidelity Investments Japan Limited (the "Sub-Adviser"). Pursuant to the Sub-Advisory Agreement, the Investment Adviser has delegated certain of its responsibilities for the day-to-day management of the Fund to the Sub-Adviser which will manage the Fund's portfolio through its Tokyo office. The Investment Adviser will assist the Sub-Adviser and will provide research and trading facilities to the Sub-Adviser. See "The Fund" and "Management of the Fund -- Investment Manager, Investment Adviser and Sub-Adviser." (The Investment Manager, Investment Adviser and Sub-Adviser may be collectively referred to as "Fidelity").
Investment Strategy.....	Fidelity will look for growth opportunities in Korean blue chip stocks, either due to increases in permitted foreign stock ownership or attractive valuations. Fidelity will also look for

	undervalued companies with strong fundamentals within the large number of medium-and smaller-sized companies, including companies traded on the second trading section of the Korean Stock Exchange (the "KSE").
	Korean law generally restricts foreign ownership of any issuer to 10%. This has given rise to an over-the-counter market in KSE-listed securities, in which foreign investors trade 10% foreign-owned stocks, often at a premium to the KSE price. The Fund may purchase securities at premium prices when, in Fidelity's view, the issuer's growth potential justifies the premium. See "Investment Strategy."
Investment in Korea.....	Fidelity believes that attractive investment opportunities may be found in Korea due to its highly diversified industrial base, large consumer population and large and well educated labor force, together with the evolving process of the liberalization and reform of the securities markets in Korea. Korea's significant commitment to

	research and development generally, coupled with its position as a leading exporter in the Asia Pacific region should contribute significantly to the potential for growth in the Korean economy. Continued liberalization of the securities markets along with an increase in the number of shares of Korean companies that are available for investment by foreign investors would enable the Fund to participate in Korea's economic growth potential. There can be no assurance, however, that such liberalization or economic growth will continue to occur or that the Fund will be able to participate in and benefit from any future liberalization or economic growth. See "Investment in Korea."
Investment Objective and Policies.....	The Fund's investment objective is long-term capital appreciation. The Fund will seek to achieve its objective by investing primarily in equity and debt securities of Korean Issuers (as defined below). As a matter of fundamental policy and under normal market conditions, at least 65% of the Fund's total assets will be invested in equity and debt securities of Korean Issuers. Fidelity currently anticipates that, once the Fund is fully invested, at least 80% of its net assets will be invested in equity securities of Korean Issuers. No assurance can be given that the Fund's investment objective will be achieved. See "Investment Objective and Policies" and "Risk Factors and Special Considerations."
	As used herein, Korean Issuers are entities that, as determined by Fidelity, (i) are organized under the laws of Korea, (ii) regardless of where organized, derive at least 50% of their revenues or profits from goods produced or sold, investments made or services performed or have at least 50% of their assets located in Korea, (iii) have the primary trading market for their securities in Korea or (iv) are the government, or its agencies or

instrumentalities or other political subdivisions, of Korea.

Equity securities in which the Fund may invest include common and preferred stock, American, global or other types of depositary receipts, convertible bonds, notes and debentures, equity interests in trusts, partnerships, joint ventures and common stock purchase warrants and rights. Korean law currently permits foreign investors, such as the Fund, to invest in the following equity securities: (i) common and preferred stock listed on the KSE; (ii) non-guaranteed convertible bonds of small and medium-sized companies, shares of which are listed on the KSE; (iii) global or other types of depositary receipts representing rights in shares of a Korean company, which are issued outside Korea; (iv) convertible bonds denominated in non-Won currency and issued outside Korea; and (v) equity warrants issued together with bonds denominated in non-Won currency outside Korea.

The Fund may invest in debt securities. Debt securities of Korean Issuers will be treated as securities of Korean Issuers for purposes of the Fund's policy of investing at least 65% of its total assets in securities of Korean Issuers under normal market conditions. The Fund's assets may be invested in debt securities when Fidelity believes that such securities offer opportunities for long-term capital appreciation. The Fund's investments in debt securities may include bonds, notes, bills or other fixed income or floating rate debt obligations, including participations in and assignments of portions of loans. These debt securities may be unrated or rated below investment grade. Korean law does not currently permit foreign investors such as the Fund to acquire debt securities denominated in Won, except for certain low interest rate government or public bonds to be designated by the Securities and Exchange Commission of Korea (the "KSEC") from time to time in the primary market subject to certain foreign holding limits and procedural requirements.

Certain investment practices in which the Fund is authorized to engage, such as investing in Korean government debt, certain currency hedging techniques, the lending of portfolio securities, forward commitments, standby commitment agreements and the purchase or sale of put and call options are not currently permitted, with certain limited exceptions, under Korean laws or regulations. The Fund may engage in these investment practices to the extent the practices become permissible under Korean law in the future. See "Investment Objective and Policies -- Other Investments."

Most of the securities purchased by the Fund are expected to be traded on the KSE or other foreign stock exchanges or in a foreign over-the-counter market. Compared to securities traded in the United States, generally all securities of Korean Issuers may be considered to be thinly traded. In addition, the Fund may

invest up to 35% of its total assets in securities that are illiquid, that is, securities for which there is no readily available market, or no market at all. See "Investment Objective and Policies."

The Fund may invest up to 35% of its total assets in equity and debt securities of Asian Issuers, if warranted, in Fidelity's judgment, by economic, political or regulatory conditions in Korea or valuations in the Korean securities markets relative to such conditions. Asian Issuers are issuers (other than issuers meeting the definition of Korean Issuers), that, as determined by Fidelity, (i) are organized under the laws of Hong Kong, Japan or Taiwan, (ii) regardless of where organized, derive at least 50% of their revenues or profits from goods produced or sold, investments made, or services performed in Hong Kong, Japan or Taiwan, (iii) have the primary trading market for their securities in Hong Kong, Japan or Taiwan or (iv) are

governments, or their agencies, instrumentalities or other political sub-divisions, of Hong Kong, Japan or Taiwan. See "Risk Factors and Special Considerations -- Investments in Asian Issuers."

During the Fund's initial investment period, the Fund may invest without limitation in Temporary Investments (as defined below). See "Investment Objective and Policies -- Temporary Investments."

After the Fund's initial investment period, for temporary defensive purposes, the Fund may vary from its investment policies by investing, without limitation, in Temporary Investments and investment grade debt instruments, including unrated securities of equivalent quality as determined by the Investment Adviser or the Sub-Adviser, short-term indebtedness or cash equivalents denominated in U.S. dollars or, if it becomes permissible for the Fund to so invest, denominated in Won. No assurance can be given that the Fund's investment objective will be achieved. See "Investment Objective and Policies" and "Risk Factors and Special Considerations."

The Offering.....	The Fund is offering 5,250,000 shares of Common Stock, $0.001 par value (the "Shares"), for sale in concurrent offerings. Of the 5,250,000 Shares being offered, Shares (the "U.S. Shares") are being offered in the United States and Canada by a group of U.S. Underwriters (the "U.S. Underwriters") led by Baring Securities, Inc. and Donaldson, Lufkin & Jenrette Securities Corporation and Shares (the "International Shares") are being offered to non-U.S. investors and non-Canadian investors outside the United States and Canada by a group of underwriters (the "International Managers") led by Baring Brothers & Co., Limited and Donaldson, Lufkin & Jenrette Securities Corporation. Baring Securities Inc. and Donaldson, Lufkin & Jenrette Securities Corporation are the Global Coordinators of the

	Offering (the "Global Coordinators"). The initial public offering price of the Shares is $15.00 per share, which will be reduced to $14.77 for purchases in single transactions (as defined herein under "Underwriting") of 200,000 or more Shares, subject to the following sentence. Purchasers who agree to purchase Shares at a reduced price will be restricted from transferring such Shares for a period of 90 days after the closing of the Offering. There is no restriction on the number of Shares that may be purchased subject to the transfer restriction described above, except that the Underwriters have undertaken to comply, with respect to non-restricted Shares, with the distribution requirements of the New York Stock Exchange (the "NYSE"). The U.S. Underwriters have also been granted options to purchase an aggregate of 787,500 additional shares of the Fund's Common Stock to cover over-allotments. The number of shares of Common Stock being

	offered is subject to reallocation between the U.S. Offering and the International Offering as may be mutually agreed by the U. S. Underwriters and the International Managers. See "Underwriting."
	The closing of each offering is a condition to the closing of the other offering. The relative sizes of the U.S. Offering and the International Offering will be determined by negotiations between the Fund and the Underwriters and will depend on a number of factors, including the final number of Shares to be offered in the Offerings. It is expected that the Shares may be sold substantially outside the United States, except that the Underwriters have undertaken to distribute the shares of Common Stock in a manner that complies with the distribution requirements of the NYSE. The Fund cannot predict what effect if any, the relative sizes of the U.S. Offering and the International Offering will have on the secondary market in the United States or on the market price of the Shares.
Listing.....	The Fund's Common Stock has been approved for listing on the NYSE upon notice of issuance.
Stock Symbol.....	"FAK"
Investment Manager, Investment Adviser and Sub-Adviser.....	Fidelity Management & Research Company, a leading international investment manager, will act as Investment Manager of the Fund and will supervise the Fund's investment program. The Fidelity organization has more than 20 years experience investing in Asia. Fidelity International Investment Advisors ("FIIA" or the "Investment Adviser"), the Fund's Investment Adviser and an affiliate of the Investment Manager, is responsible for the day-to-day management of the Fund's investments. Pursuant to the Sub-Advisory Agreement, the Investment Adviser has delegated certain of its responsibilities for the day-to-day management of the Fund to Fidelity

Investments Japan Limited (the "Sub-Adviser"), which will manage the Fund's portfolio through its Tokyo office. As of August 31, 1994, the Investment Manager, the Investment Adviser, the Sub-Adviser and their affiliates had over $270 billion under management of which more than $50 billion was invested in non-U.S. securities (including over $15 billion in Asian securities, over $550 million in securities of Korean Issuers and over $7 billion managed from Asian offices).

The Investment Manager, together with the Investment Adviser, the Sub-Adviser and its other affiliates (sometimes collectively referred to herein as "Fidelity"), has extensive research capabilities both worldwide, with over 300 investment professionals, as of August 31, 1994, and within the Asian region, and maintains offices in Hong Kong, Singapore, Taiwan and Tokyo, which, as of August 31, 1994, were staffed by 35 investment professionals.

The Sub-Adviser, through its Tokyo office, routinely researches and screens for investment potential in Korean companies. The Sub-Adviser seeks to identify investments through management contacts and on-site visits to companies within Korea. In 1993, Fidelity conducted over 170 company visits in Korea.

Edward S.J. Bang, who has served as a Korean analyst for various Fidelity funds since September 1993, will serve as the Fund's principal portfolio manager. See "Management of the Fund -- Investment Manager, Investment Adviser and Sub-Adviser."

Advisory Fees and Expenses.....

The Fund will pay the Investment Manager a monthly basic fee at an annual rate of 1.00% of the Fund's average daily net assets for its services. The Investment Manager will pay the Investment Adviser 60% of the fees paid by the Fund to the Investment Manager. The Investment Adviser will pay the Sub-Adviser a fee equal to 50% of the fee paid to the Investment Adviser with respect to any Fund assets managed by the Sub-Adviser on a discretionary basis, and 30% of the fee paid to the Investment Adviser with respect to any Fund assets managed by the Sub-Adviser on a non-discretionary basis. See "Management of the Fund -- Compensation and Expenses." The advisory fee paid by the Fund is higher than those paid by most U.S. investment companies investing exclusively in the securities of U.S. issuers, primarily because of the additional time and expense required of the Investment Manager, the Investment Adviser and the Sub-Adviser in pursuing the Fund's policy of investing in Korean securities, including illiquid Korean securities. In addition, the operating expense ratio of the Fund can be expected to be higher than that of a fund investing primarily in securities of U.S. issuers. It is expected, however, that the Fund's investment advisory fee, as well as its overall expense ratio, will be comparable to those of many closed-end management investment companies of comparable size that invest primarily in securities of issuers in a single foreign

	country.
Administration.....	Fidelity Service Co. ("Service"), a division of FMR Corp., the parent company of the Investment Manager, will serve as the Fund's administrator pursuant to the terms of an Administration Agreement. The Fund will pay to Service a monthly fee at an annual rate of .20% of the Fund's average daily net assets for its services. See "Management of the Fund -- Administration."
Dividends and Distributions.....	The Fund intends to distribute annually to holders of Common Stock substantially all of its net investment income, and to distribute any net realized capital gains at least annually. Under the Fund's Dividend Reinvestment and Cash Purchase Plan (the "Plan"), a shareholder may elect to

	have all dividends and distributions automatically reinvested in additional shares of Common Stock of the Fund. Participants also have the option of making additional cash payments, annually, to be used to acquire additional shares of Common Stock of the Fund in the open market. Shareholders whose shares are held in the name of a broker or nominee should contact such broker or nominee to confirm that they may participate in the Fund's Plan. See "Dividends and Distributions; Dividend Reinvestment and Cash Purchase Plan."
Annual Tender Offers and Share Repurchases.....	Shares of common stock of closed-end investment companies frequently trade at a discount from net asset value but may trade at a premium. The Fund cannot predict whether shares of its Common Stock will trade at, below or above net asset value. In recognition of the possibility that the Fund's Common Stock may trade at a discount from net asset value, the Board of Directors of the Fund has determined that annual tender offers for shares of its Common Stock may help reduce any market discount from net asset value that may develop. In this connection, during the first calendar quarter of each calendar year commencing in 1998, the Board of Directors of the Fund has committed to conduct a tender offer for shares of its Common Stock on an annual basis under the circumstances described below. During the fourth quarter of the previous calendar year, the Board of Directors will fix in advance a period of 12 consecutive calendar weeks beginning during such fourth calendar quarter and ending in the immediately following first quarter for the purpose of calculating the average trading price of the Fund's Common Stock. In the event that the average of the closing prices of the Common Stock of the Fund on the last trading day in each week during such 12 week period, on the principal securities exchange where listed, is below the initial offering price of $15.00 per share and represents a discount of 10% or more from the average net asset value of the Fund as determined on the same days in the same period, a tender offer for up to 10% of the then outstanding shares of Common Stock of the Fund will be conducted

during such first calendar quarter. In addition, the Board of Directors may consider open market repurchases of its Common Stock or converting the Fund into an open-end investment company. No assurance can be given that annual tender offers or repurchases of shares of Common Stock will reduce or eliminate any market discount from net asset value of the Fund's Common Stock. There are certain risks associated with tender offers and repurchases. See "Annual Tender Offers and Share Repurchases," "Risk Factors and Special Considerations" and "Taxation -- U.S. Federal Income Taxes."

Custodian, Transfer Agent, Dividend Paying Agent and Registrar.....	The Chase Manhattan Bank, N.A. ("Chase") will act as custodian for the Fund's assets. Chase or the Fund will designate foreign sub-custodians approved by the Fund's Board of Directors in accordance with the regulations of the Securities and Exchange Commission (the "Commission" or the "SEC"). The Hong Kong and Shanghai Banking Corporation Limited, Seoul Branch will serve as the Fund's sub-custodian for its assets held in Korea. Chase or the Fund may designate additional sub-custodians. State Street Bank and Trust Company will act as transfer agent, dividend paying agent and registrar for the Fund's Common Stock. See "Custodian, Transfer Agent, Dividend Paying Agent and Registrar."
Risk Factors and Special Considerations.....	Because the Fund currently intends to invest primarily in equity securities of Korean Issuers, an investor in the Fund should be aware of certain risks relating to Korea, the Korean securities markets and international investments generally which are not typically associated with U.S. domestic investments. Consistent with its investment objective and policies, the Fund may also invest in part in Asian Issuers (Japan, Hong Kong and Taiwan). The risk factors identified below generally also apply to investments the Fund may make in Asian Issuers, although the specific nature of such risks may vary according to the country in which investments are made. See "Risk Factors and Special Considerations -- Investments in Asian Issuers." In particular, considerations and risks not typically associated with investing in securities of U.S. domestic companies include (i) certain restrictions on foreign investment in the Korean securities markets which will preclude investment in certain securities by the Fund and limit investment opportunities for the Fund; (ii) currency devaluations and fluctuations in the rate of exchange between the U.S. dollar and the Won with the resultant fluctuations in the net asset value of the Fund (which is expressed in U.S. dollars); (iii) substantial government involvement in, and influence on, the economy and the private sector; (iv) political, economic and social uncertainty and instability, including the potential for increasing militarization in North Korea; (v) the substantially smaller size and lower trading volume of the securities markets for Korean equity securities compared to the U.S. securities markets, resulting in a potential lack of liquidity and

increased price volatility; (vi) the risk that the sale of portfolio securities by the Korea Securities Market Stabilization Fund (the "Stabilization Fund"), a fund established in order to stabilize the Korean securities markets, or other large Korean institutional investors may adversely impact the market value of securities in the Fund's portfolio; (vii) the risk that less information with respect to Korean companies may be available due to the fact that

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Korean accounting, auditing and financial reporting standards are not equivalent to those applicable to U.S. companies; (viii) heavy concentration of market capitalization and trading volume in a small number of issuers, which result in potentially fewer investment opportunities for the Fund; (ix) fluctuations in the prices and premium valuations of securities held by the Fund that are traded over the counter among foreign investors; (x) controls on foreign investment and limitations on repatriation of invested capital and on the Fund's ability to exchange Won for U.S. dollars; (xi) the risk of nationalization or expropriation of assets or confiscatory taxation; (xii) higher rates of inflation; (xiii) less government supervision and regulation of Korean securities markets and participants in those markets; (xiv) settlement delays; (xv) the risk that dividends will be withheld at the source; (xvi) unavailability of currency hedging techniques in the Korean markets; (xvii) the fact that companies in Korea may be smaller, less seasoned and newly organized; (xviii) the risk that it may be more difficult to obtain and/or enforce a judgment in a court in Korea and outside the United States generally; and (xix) the risk of taxation of the Fund, its investments and its income by Korea. See "Risk Factors and Special Considerations."

Investments in Asian Issuers. In addition, securities of Korean Issuers and other Asian Issuers may be subject to a greater degree of economic, political and social instability than is the case in the United States and Western European countries. Such instability may result from, among other things, the following: (i) authoritarian governments or military involvement in political and economic decision-making, including changes in government through extra-constitutional means; (ii) popular unrest associated with demands for improved political, economic and social conditions; (iii) internal insurgencies; (iv) hostile relations with neighboring countries; and (v) ethnic, religious and racial disaffection. Such social, political and economic instability could disrupt the principal financial markets in which the Fund invests and cause losses to the Fund. See "Risk Factors and Special Considerations."

Investment Restrictions and Foreign Exchange Controls. Investment in securities of Korean companies by foreign investors is subject to significant restrictions and controls. As a result, the Fund may be limited in its

investments or precluded from investing in certain Korean companies, which may adversely affect the performance of the Fund. Under the current regulations, foreign investors are allowed to invest in almost all shares listed on the KSE, subject to certain ceilings on foreign shareholdings and procedural requirements. The percentage of each class of a company's outstanding equity shares that may be held by a particular foreign investor, and by all foreign investors

as a group is generally limited to 3% and 10%, respectively. The 3% and 10% limitations are reduced to 1% and 8%, respectively, for certain government-designated public corporations, shares of which are listed on the KSE. Further, the 10% limitation may be increased in certain cases, as determined by the KSEC. As of December 31, 1993, 165 companies listed on the KSE had reached or exceeded the aggregate foreign ownership limit (23.8% of all companies listed on the KSE) and an additional 159 companies were within 0.5% of the limit. In addition as of June 30, 1994, of the 30 largest KSE-listed companies (as measured by market capitalization), which accounted for approximately 51.5% of the aggregate market capitalization of the KSE, nearly all had reached the applicable maximum aggregate foreign ownership limit. Foreign investors are, however, generally allowed to effect transactions with other foreign investors through a securities company in Korea but off the KSE ("foreign OTC transactions") in the shares of companies that have reached or exceeded the maximum aggregate foreign ownership limit (or such limit less odd-lot shares). Such transactions may, and often do, occur at a premium over prices on the KSE. There can be no assurance that the Fund, if it purchases such shares at a premium, will be able to realize such premium on the sale of such shares or that such premium will not be adversely affected by changes in regulations (including relaxation of the limitations on foreign ownership) or otherwise. See "Risk Factors and Special Considerations -- Investment Restrictions and Foreign Exchange Controls." In determining the Fund's net asset value, shares listed on the KSE which are traded by foreign investors in foreign OTC transactions may be valued at prices above those at which they are trading on the KSE at which it is expected such securities may be sold by way of foreign OTC transactions, as determined by or under direction of a committee appointed by the Board of Directors. See "Net Asset Value."

The heavy concentration of market capitalization and trading volume in a relatively small number of issuers, combined with U.S. regulatory requirements, result in potentially fewer investment opportunities for the Fund. As of June 30, 1994, the 30 largest companies by market capitalization accounted for approximately 51.5% of the aggregate market capitalization and from January 1, 1994 through June 30, 1994 accounted for 38.9% of the average daily

trading volume of the KSE.

Exchange Rate Fluctuations. Because the Fund will invest in equity securities of Korean companies and, to the extent permitted by applicable laws and regulations, it may invest in Won-denominated fixed income securities (the market value of each of which is determined in Won and the income from which will likely be received in

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Won) and since the Fund's net asset value will be reported and distributions from the Fund will be made in U.S. dollars, the value of the Fund's assets will be adversely affected by a decline in the value of the Won relative to the U.S. dollar. The Fund is authorized to engage in foreign currency hedging transactions, which may involve special risks, although such transactions, with certain exceptions, are not currently permitted under Korean law or regulations. Given the restrictions, limitations and risks associated with Won - U.S. dollar hedging transactions, there can be no assurance that the Fund will be able to effectively hedge currency exchange rate risk. See "Risk Factors and Special Considerations -- Exchange Rate Fluctuations" and "Appendix A -- General Characteristics and Risks of Derivatives."

Substantial Government Influence on the Private Sector. The Korean government has historically exercised and continues to exercise substantial influence over many aspects of the private sector. The Korean government from time to time has informally influenced the payment of dividends and the prices of certain products, encouraged companies to invest or to concentrate in particular industries, induced mergers between companies in industries suffering from excess capacity and induced private companies to publicly offer their securities. The government has sought to minimize excessive price volatility on the KSE through various steps, including the imposition of limitations on daily price movements of securities.

Political and Economic Factors. The value of the Fund's assets may be adversely affected by political, economic or social instability in Korea, and by changes in Korean law or regulations. In addition, the economy of Korea may differ favorably or unfavorably from the U.S. economy in such respects as the rate of growth of gross domestic product, the rate of inflation, capital investment, resource self-sufficiency and balance of payments position, among others.

Political, economic and social uncertainty and instability, including the possibility of increased militarization in North Korea, may also adversely affect the value of the Fund's assets. The United States maintains a military force in Korea to help deter the ongoing military threat from North Korean forces. The situation remains a source of tension, although negotiations to ease tensions and resolve the political division of the Korean peninsula have been carried on from time to time. There also have been efforts from time to time

to increase economic, cultural and humanitarian contacts between North Korea and Korea. There can be no assurance that such negotiations or efforts will continue to occur or will result in an easing of tensions between North Korea and Korea.

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Market Characteristics. The Korean securities markets are smaller than the securities markets of the United States. As of June 30, 1994, the aggregate market capitalization of equity securities listed on the KSE totaled approximately W 128.4 trillion ($159.4 billion), as compared to approximately $4.4 trillion on the NYSE on such date.

In 1990, the Stabilization Fund, a fund operated by its contributors which include substantially all of the KSE-listed companies, Korean securities companies and certain institutional investors, was established by the securities industry with government co-operation in order to stabilize the Korean securities markets primarily through the purchase and sale of securities. The size of the Stabilization Fund is not officially reported. However, as of January 1994, the Stabilization Fund was reported by the financial press to constitute approximately 5% of the total listed equity market capitalization of the KSE. The purchase or sale of portfolio securities by the Stabilization Fund could exert significant pressure on the market prices of KSE-listed equity securities in which the Fund may invest.

Thinly Traded Markets and Illiquid Investments. To the extent permitted by applicable law and regulations, the Fund may invest up to 35% of its total assets in illiquid equity or debt securities, that is securities for which there is no readily available market or no market at all. Korean law does not currently permit foreign investors such as the Fund to acquire debt securities denominated in Won or equity securities of companies organized under the laws of Korea that are not listed on the KSE, except for purchases of non-guaranteed convertible bonds listed on the KSE which are issued by small and medium-sized companies, the shares of which are listed on the KSE, and participation in new issues of certain low interest rate government and public bonds each of which are subject to certain investment ceilings and procedural requirements. Investments in securities for which there is no readily available market may involve a high degree of business and financial risk that can result in substantial or total loss of the Fund's investment in such securities. Because of the absence of any trading market for these investments, the Fund may take longer to dispose of these positions than it would for listed securities. In addition to financial and business risks, issuers whose securities are not listed are not subject to the same disclosure requirements applicable to issuers whose securities are listed. See "Risk Factors and Special Considerations -- Thinly Traded Markets and Illiquid Investments."

Settlement Procedures and

Delays. Settlement procedures in Korea are somewhat less developed and reliable than those in the United States and in other developed securities markets, and the Fund may experience settle-

ment delays or other material difficulties. Accordingly, the Fund may be subject to significant delays or limitations on the volume of trading during any particular period as a result of these factors. The foregoing factors could impede the ability of the Fund to effect portfolio transactions on a timely basis and could have an adverse impact on the net asset value of the shares of the Fund's Common Stock and the price at which the shares trade.

Debt Securities. The value of any debt securities held by the Fund, and thus to some degree the net asset value of the Fund's Common Stock, generally will fluctuate with (i) changes in the perceived creditworthiness of the issuers of those securities (ii) movements in interest rates, and (iii) changes in currency exchange rates. The extent of the fluctuation will depend on various other factors, including the maturity of the Fund's investments, the extent to which the Fund holds instruments denominated in currencies other than the U.S. dollar and the extent to which the Fund hedges its interest rate and currency exchange rate risks. The Investment Adviser or the Sub-Adviser will make independent evaluations as to the creditworthiness of issuers of debt securities that may differ from those of internationally recognized credit rating agency organizations, such as Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Group ("S&P"). The Fund's success in attaining its investment objective with respect to investments in debt securities will depend largely on the Investment Adviser's and the Sub-Adviser's evaluation of the current and future creditworthiness of issuers, and of interest rate trends.

Debt Securities -- High Yield, High Risk Securities. There is no limit on the percentage of the Fund's debt securities investments that may be low rated or unrated. The Fund's investments in Korean debt securities may have credit quality below investment grade as determined by internationally recognized credit rating agency organizations. Debt securities rated below investment grade (commonly referred to as "junk bonds") are considered to be speculative. Investment in low rated securities typically involves risks not associated with higher rated securities, including, among others, overall greater risk of failure to pay interest and principal, potentially greater sensitivity to general economic conditions, greater market price volatility and less liquid secondary market trading. Certain of the Fund's investments may be considered to have extremely poor prospects of ever attaining any real investment standing, to have a current vulnerability to default, to be unlikely to have the capacity to pay interest and repay principal when due in the event of

adverse business, financial or economic conditions, or to be in default or not current in the payment of interest or principal. See "Risk Factors and Special Considerations -- Debt Securities --

High Yield, High Risk Securities" and "Appendix B -- Debt Ratings."

Investment Practices. The Fund's investment policies permit it to engage in various investment practices that are not presently available in Korea. To the extent that they become available within Korea or are available presently or in the future outside Korea, the Fund may use various investment practices that involve special considerations, including purchasing and selling options on securities, financial futures, fixed income and stock indices, currencies and other financial instruments, entering into financial futures contracts, entering into interest rate transactions, entering into currency transactions, entering into equity swaps and related transactions, entering into securities transactions on a when-issued or delayed delivery basis, entering into repurchase agreements and lending portfolio securities. See "Additional Investment Activities," "Investment Objective and Policies -- Other Investments," "Risk Factors and Special Considerations -- Investment Practices" and "Appendix A -- General Characteristics and Risks of Derivatives."

Non-Diversification. The Fund is classified as a "non-diversified" investment company under the Investment Company Act of 1940, as amended (the "1940 Act"), which means that the Fund is not limited by the 1940 Act in the proportion of its assets that may be invested in the securities of a single issuer. However, the Fund intends to comply with the diversification requirements imposed by the Internal Revenue Code of 1986, as amended (the "Code"), for qualification as a regulated investment company. As a non-diversified investment company, the Fund may invest a greater proportion of its assets in the securities of a smaller number of issuers and, as a result, will be subject to greater risk of loss with respect to its portfolio securities. Moreover, because the Fund is non-diversified and will invest primarily in securities of Korean Issuers, the Fund may be more susceptible than a more widely-diversified fund to any single economic, political or regulatory occurrence. An investment in the Fund is not a balanced investment program by itself, and is intended to provide diversification as part of a more complete investment program.

Borrowings. The Fund may borrow for temporary or emergency purposes and to finance tender offers and share repurchases. Borrowings by the Fund create an opportunity for greater total return but, at the same time increase exposure to capital risk. In addition, borrowed funds are subject to interest costs which may offset or exceed the return earned on investment of such funds, and which, if the borrowed funds are used to pay dividends or finance

share repurchases or tender offers, will reduce the Fund's net income. Although the Fund is permitted to borrow, as

indicated above, the Fund has no present intention of engaging in leveraging by borrowing.

Withholding and Other Taxes. Income and capital gains on securities held by the Fund may be subject to withholding or other taxes imposed by Korean or other foreign governments, which would reduce the return to the Fund on those securities. The Fund does not intend to engage in activities that will create a permanent establishment in Korea within the meaning of the Korea-U.S. Tax Treaty. Therefore, the Fund generally will not be subject to any Korean income taxes other than Korean withholding taxes. These taxes may be exempt or reduced if the Korea-U.S. Tax Treaty applies to the Fund. If the treaty provisions are not, or cease to be, applicable to the Fund, significant additional withholding taxes would apply. Korean counsel to the Fund, Shin & Kim, have given their opinion that the treaty presently does apply to the Fund if and so long as the Fund operates as described herein. In addition, the Fund has received written confirmation from the Ministry of Finance of Korea that, so long as all of the issued shares of the Fund are listed on one or more stock exchanges in the United States only and they are traded on such exchanges by the general public, the Fund will be entitled to the benefits of the Korea-U.S. Tax Treaty. See "Taxation -- Korean Taxes." The imposition of such taxes and the rates imposed are subject to change. The Fund may elect, when eligible, to "pass-through" to the Fund's shareholders, as a deduction or credit, the amount of foreign taxes paid by the Fund. The taxes passed through to shareholders will be included in each shareholder's income. Certain shareholders, including some non-U.S. shareholders, will not be entitled to the benefit of a deduction or credit with respect to foreign taxes paid by the Fund. If a shareholder is eligible and elects to credit foreign taxes, such credit is subject to limitations. Other foreign taxes, such as transfer taxes, may be imposed on the Fund, but would not give rise to a credit, or be eligible to be passed through to shareholders. See "Taxation."

Certain Provisions of the Articles of Incorporation. The Fund's Articles of Incorporation contain certain anti-takeover provisions that may have the effect of: (i) inhibiting the Fund's possible conversion to open-end status by requiring a 75% shareholder vote to make such a conversion or to enter into a business combination that would result in such a conversion and (ii) limiting the ability of other entities or persons to acquire control of the Fund or to change the composition of its Board of Directors. Such provisions could have the effect of depriving shareholders of an opportunity to sell their shares of Common Stock at a premium over prevailing market prices by discouraging a third party from seeking to obtain control of

the Fund. The

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Fund's Board of Directors has determined that these provisions are in the best interests of shareholders generally. See "Risk Factors and Special Considerations" and "Description of Capital Stock -- Special Voting Provisions."

Secondary Market and Net Asset Value Discount. Prior to the Offering, there has been no public market for the Fund's Common Stock. There can be no assurance that an active trading market will develop or be sustained. The Fund cannot predict what effect, if any, the relative sizes of the U.S. Offering and the International Offering will have on the secondary market for the Shares of Common Stock in the United States or on the market price of the Shares. In addition, shares of closed-end investment companies frequently trade at a discount from net asset value. This characteristic is a risk separate and distinct from the risk that the Fund's net asset value will decrease as a result of its investment activities and may be greater for investors expecting to sell their shares in a relatively short period following completion of the Offering. It should be noted that shares of some closed-end funds have sold at a premium to net asset value. The Fund cannot predict whether its Shares will trade at, above or below net asset value. The Fund is intended primarily for long-term investors and should not be considered as a vehicle for short-term trading purposes. See "Risk Factors and Special Considerations."

Transfer Restrictions. Investors who purchase Shares at a reduced price will be restricted from transferring such Shares for a period of 90 days after the closing of the Offering. There is no restriction on the number of Shares that may be purchased subject to the transfer restriction described above, except that the Underwriters have undertaken to comply, with respect to non-restricted Shares, with the distribution requirements of the NYSE. See "Underwriting." To the extent these investors sell their Shares once the transfer restriction is no longer applicable, the market price of the Fund's Common Stock could be adversely affected. In addition, the transfer restriction will reduce the number of Shares of Common Stock available for sale in the secondary market during the 90-day restriction period.

Investors should carefully consider their ability to assume the foregoing risks before making an investment in the Fund. An investment in shares of Common Stock of the Fund may not be appropriate for all investors and should not be considered as a complete investment program. See "Risk Factors and Special Considerations."

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<TABLE>

SUMMARY OF EXPENSES

<S> <C> <C>

SHAREHOLDER TRANSACTION EXPENSES

Sales Load (as a percentage of offering price)	%(1)

ANNUAL EXPENSES (as a percentage of net assets attributable to common shares)

Management Fees	1.00%
Other Expenses (estimated)	%
Administration Fees	.20%
Other Operating Expenses (estimated)	%
Total Annual Expenses (estimated)	%

<FN>
- ---------------
(1) The sales load is reduced for certain transactions. See "Underwriting."
</TABLE>

THE PURPOSE OF THIS TABLE IS TO ASSIST THE INVESTOR IN UNDERSTANDING THE VARIOUS COSTS AND EXPENSES THAT AN INVESTOR IN THE FUND WILL BEAR DIRECTLY OR INDIRECTLY.

As of the date hereof, the Fund had not commenced investment operations. The amount set forth in "Other Expenses" is, therefore, based on estimated amounts for its first fiscal year, assuming no exercise of the over-allotment options granted to the U.S. Underwriters. "Other Operating Expenses" will include custodial and transfer agency fees, legal and accounting fees, printing costs and listing fees. A portion of the Fund's expenses may be reduced as a result of certain brokerage arrangements. For additional information with respect to the expenses identified in the table above, see "Management of the Fund."

EXAMPLE

The following example demonstrates the projected U.S. dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in the Fund. These amounts are based upon payment by an investor of a % sales load and payment by the Fund of operating expenses at the levels set forth in the table above.

<TABLE>
An investor would pay the following expenses on a $1,000 investment, assuming (1) a 5% annual return and (2) reinvestment of all dividends and distributions at net asset value:

<CAPTION>

1 YEAR	3 YEARS	5 YEARS	10 YEARS
<S>	<C>	<C>	<C>
$	$	$	$

</TABLE>

THIS EXAMPLE AS WELL AS THE INFORMATION SET FORTH IN THE TABLE ABOVE SHOULD NOT BE CONSIDERED A REPRESENTATION OF THE FUTURE EXPENSES OF THE FUND, AND ACTUAL EXPENSES MAY BE GREATER OR LESS THAN THOSE SHOWN. Moreover, while the example assumes a 5% annual return, the Fund's performance will vary and may result in a return greater or less than 5%. In addition, while the example assumes reinvestment of all dividends and distributions at net asset value, this may not be the case for participants in the Plan. See "Dividends and Distributions; Dividend Reinvestment and Cash Purchase Plan."

THE FUND

The Fund, incorporated in Maryland on May 25, 1994, is a non-diversified, closed-end management investment company registered under the 1940 Act. The Fund's investment objective is long-term capital appreciation. The Fund seeks to achieve its objective by investing primarily in equity and debt securities of Korean Issuers.

The address of the Fund is 82 Devonshire Street, Boston, Massachusetts 02109. The Fund's telephone number is (800) 426-5523.

INVESTMENT STRATEGY

Fidelity believes that the investment environment in Korea offers growth potential for investors who can identify undervalued companies with strong growth fundamentals. In order to identify the most attractive investment opportunities, Fidelity undertakes extensive research through a "bottom-up" method. The bottom-up method focuses on individual companies rather than sector or general market trends. As part of its research, Fidelity visited over 170 Korean companies during 1993 to assess their growth potential. Fidelity believes that the use of the bottom-up method will enable it to find fundamentally sound, undervalued investments in Korea that offer long-term growth potential for investors.

Fidelity will look for growth opportunities in blue chip stocks, either due

to increases in permitted foreign stock ownership or attractive valuations. Fidelity will also look for undervalued companies with strong fundamentals within the large number of medium-and smaller-sized companies, including companies traded on the second trading section of the KSE. The weighting of the Fund's portfolio of investments among blue chip, medium-and smaller-sized companies will therefore depend on Fidelity's judgment of each company's long-term growth potential.

Korean law generally restricts foreign ownership of any issuer to 10%. This has given rise to an over-the-counter market in KSE-listed securities, in which foreign investors trade 10% foreign-owned stocks, often at a premium to the KSE price. The Fund may purchase securities at premium prices when, in Fidelity's view, the issuer's growth potential justifies the premium.

INVESTMENT IN KOREA

Fidelity believes that attractive investment opportunities may be found in Korea due to its highly diversified industrial base, large consumer population and large and well educated labor force, together with the evolving process of the liberalization and reform of the securities markets in Korea. Korea's significant commitment to research and development generally, coupled with its position as a leading exporter in the Asia Pacific region should contribute significantly to the potential for growth in the Korean economy. Continued liberalization of the securities markets along with an increase in the number of shares of Korean companies that are available for investment by foreign investors would enable the Fund to participate in Korea's economic growth potential. There can be no assurance, however, that such liberalization or economic growth will continue to occur or that the Fund will be able to participate in and benefit from any future liberalization or economic growth.

It should be noted that there are significant risks accompanying the potential for economic growth in Korea and the securities markets in Korea present the possibility of substantial losses as well as the potential for gains. The Korean market is especially susceptible to sudden price volatility in addition to other risks generally associated with investing in foreign countries. Korea's economy tends to be dominated by conglomerates, disclosure by companies tends to be limited and wage rates are becoming relatively expensive. The Korean government has, from time to time, undertaken various measures alternatively to cool or support the market. Cooling measures include restrictions on foreign stock ownership, requirements that investors make entrustment deposits before investing, as well as other forms of intervention. Fidelity believes that although interventions will continue they will not preclude long-term growth. Moreover, Fidelity believes that if restrictions on foreign ownership are liberalized, the Fund may be presented with favorable investment opportunities. In addition, there have been reports of increased militarization in North Korea, accompanied by

a general economic decline in that country. Military action or the risk of military action or the economic collapse of North Korea could have a material adverse effect on Korea, and consequently, on the ability of the Fund to achieve its investment objective. See "Risk Factors and Special Considerations."

USE OF PROCEEDS

The net proceeds of the Offering will be approximately $ (or approximately $ if the U.S. Underwriters (as defined below) exercise the over-allotment options in full) after payment of the sales load and organizational and offering expenses.

The net proceeds of the Offering will be invested in accordance with the Fund's investment objective and policies. The Fund anticipates that, under current market conditions, the net proceeds of this Offering will be fully invested in accordance with the Fund's investment objective and policies within three months from the date hereof, and in any event, no later than six months from the date hereof. However, depending on market conditions, it may not be in the best interests of the shareholders of the Fund for such investments to be made within the six-month time period because of the limitations on investment imposed on the Fund as a foreign investor by Korean laws and the relatively small market capitalization (approximately $159.4 billion as of June 30, 1994) and low trading volume (approximately 34.7 million shares traded per day on average during the first six months of 1994) of the Korean equity securities markets. See "The Securities Markets of Korea." It may be necessary to make such investments over a longer period of time in order to avoid disruption of Korean securities markets and to minimize the Fund's impact on the prices and trading of securities of Korean Issuers. Under such circumstances, the Fund will attempt to invest at least 65% of its total assets in securities of Korean Issuers within a one-year time period. Pending such investment, it is anticipated that the proceeds will be invested in Temporary Investments (as defined below). See "Investment Objective and Policies -- Temporary Investments." Offering expenses estimated at $ will be paid from the proceeds of the Offering and will be charged to capital. Organizational costs of the Fund estimated at $

will be amortized on a straight-line basis for a five-year period beginning at the commencement of operations of the Fund.

INVESTMENT OBJECTIVE AND POLICIES

The Fund's investment objective is long-term capital appreciation. The Fund will seek to achieve its objective through investment primarily in equity and debt securities of Korean Issuers. As a matter of fundamental policy and under normal market conditions, the Fund will invest at least 65% of its total assets in equity and debt securities of Korean Issuers. Fidelity currently anticipates that, once the Fund is fully invested, at least 80% of its net assets will be invested in equity securities of Korean Issuers. As used herein, Korean Issuers are entities that, as determined by Fidelity, (i) are organized under the laws of Korea, (ii) regardless of where organized derive at least 50% of their revenues or profits from goods produced or sold, investments made or services performed or have at least 50% of their assets located in Korea, (iii) have the primary trading market for their securities in Korea or (iv) are the government, or its agencies or instrumentalities or other political subdivisions, of Korea. The Fund will invest in companies that, in the opinion of Fidelity possess the potential for growth. The Fund will not consider dividend income as a primary factor in choosing securities, unless the Investment Adviser or the Sub-Adviser believes the income will contribute to or is an indicator of the securities' growth potential. Currently, foreign investors, including the Fund, are permitted to invest in the following equity securities: (i) common and preferred stock listed on the KSE; (ii) non-guaranteed convertible bonds listed on the KSE of small and medium-sized companies, shares of which are listed on the KSE, with foreign investors in the aggregate and a single foreign investor being allowed to invest in up to 30% and 5%, respectively, of the listed value of each class of such bonds; (iii) global or other types of depositary receipts representing rights in shares of a Korean Issuer which are issued outside Korea; (iv) convertible bonds denominated in non-Won currency and issued outside Korea; and (v) equity warrants issued together with bonds denominated in non-Won currency outside Korea. Although the Fund is authorized to engage in various strategies to hedge its portfolio against adverse changes in the relationship between the U.S. dollar and the Won, it is not currently permitted to do so in Korea under Korean laws or

regulations, except as described below, and there can be no assurance that such strategies will become permissible and available in Korea in the future. Currently, under Korean law, the Fund may enter into forward transactions between the Won and foreign currency with a foreign exchange bank in Korea up to the amount of Won which the Fund holds in connection with its investment in Korean shares plus the value of Korean shares which it has purchased and holds in its portfolio. The Fund does not presently intend to engage in these strategies outside of Korea but reserves the right to do so in the future.

The Fund's investment objective and policy of investing at least 65% of its total assets in equity and debt securities of Korean Issuers is fundamental and cannot be changed without the approval of a majority of the Fund's outstanding voting securities, which, as used herein, means the lesser of (i) 67% of the shares represented at a meeting at which more than 50% of the outstanding shares are present in person or represented by proxy or (ii) more than 50% of the outstanding shares. The Fund's investment policies that are not designated fundamental policies may be changed by the Fund without shareholder approval. The Fund is designed primarily for long-term investment, and investors should not consider it a short-term trading vehicle. As with all investment companies, there can be no assurance that the Fund's investment objective will be achieved.

Equity securities include common stocks, preferred stocks, American, global or other types of depositary receipts, rights or warrants to purchase common or preferred stock, equity interests in trusts, partnerships, joint ventures or similar enterprises and debt securities convertible into common or preferred stock.

Korean law currently permits foreign investors such as the Fund to acquire debt securities denominated in Won to a very limited extent. As of July 1, 1994 foreign investors are allowed to participate in new issues of certain low interest rate government or public bonds to be designated from time to time and up to the limit determined from time to time by the KSEC, each denominated in Won and in each case subject to certain procedural requirements. At the present time, however, foreign investors are permitted to invest in debt securities issued by Korean companies outside of Korea and denominated in currencies other than the Won (including, for example, bonds (which may have attached warrants), convertible bonds, floating rate notes and commercial paper). If, in the future, additional Won-denominated debt securities become permissible investments for foreign investors, the Fund may invest in such securities.

Debt securities may be unrated or be rated below instrument grade. The Investment Adviser or the Sub-Adviser will make independent evaluations as to the creditworthiness of issuers of debt securities that may differ from those of internationally recognized credit rating agency organizations, such as Moody's

Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Group ("S&P"). The Fund's success in attaining its investment objective with respect to investments in debt securities will depend largely on the Investment Adviser's and the Sub-Adviser's evaluation of the current and future creditworthiness of issuers, and of interest rate trends. Sustained periods of deteriorating economic conditions or rising interest rates are more likely to lead to a weakening in the issuer's capacity to pay interest and repay principal than in the case of higher-rated securities.

Most of the securities purchased by the Fund are expected to be traded on a stock exchange or in an over-the-counter market. Subject to applicable laws and regulations, the Fund, however, may invest up to 35% of its total assets in illiquid securities, that is, equity or debt securities for which there is no readily available market or no market at all. The Fund may therefore not be able to readily sell such securities. Such securities are unlike securities that are traded in the open market and which can be expected to be sold immediately.

The sale price of securities that are not readily marketable may be lower or higher than the Fund's most recent estimate of their fair value. Generally, less public information is available with respect to the issuers of these securities than with respect to companies whose securities are traded on an exchange. Securities not readily marketable are more likely to be issued by start-up, small or family businesses and therefore subject to greater economic, business and market risks than the listed securities of more well-established companies. Adverse conditions in the public securities markets may at certain times preclude a public offering of an issuer's securities. While Korean law requires registration with a government agency of public offerings of securities, that law does not contain restrictions like those contained in the U.S. Securities Act of 1933, as amended (the "Securities Act") regarding the length of time the securities must be held or manner of resale. There may also be contractual restrictions on the resale of securities.

Up to 35% of the Fund's total assets may be invested in equity or debt securities of Asian Issuers, if warranted, in Fidelity's judgment, by economic or political conditions in Korea or by regulatory restrictions or overvaluation in the Korean securities markets. Asian Issuers are issuers (other than issuers meeting the definition of Korean Issuers as defined above), that, as determined by Fidelity, (i) are organized under the laws of Hong Kong, Japan or Taiwan, (ii) regardless of where organized derive at least 50% of their revenues or profits from goods produced or sold, investments made, or services performed in Hong Kong, Japan or Taiwan, (iii) have the primary trading market for their securities in Hong Kong, Japan or Taiwan or (iv) are governments, or their agencies, instrumentalities or other political sub-divisions, of Hong Kong, Japan or Taiwan. The Fund may also hold other instruments described below and in "Appendix A -- General Characteristics and Risks of Derivatives."

The Fund may invest its assets in a broad spectrum of industries. In selecting industries and companies for investment, Fidelity may consider overall growth prospects, financial condition, earnings, valuations, competitive position, technology, research and development, productivity, labor costs, raw material costs and sources, profit margins, return on investment, structural changes in local economies, capital resources, the degree of government regulation or deregulation, management and other factors.

Fidelity normally will invest the Fund's assets according to its investment strategy. For temporary defensive purposes, the Fund may invest without limitation in Temporary Investments and investment grade debt instruments, including unrated securities of equivalent credit quality as determined by the Investment Adviser or the Sub-Adviser, short-term indebtedness or cash equivalents denominated in U.S. dollars or, if it becomes permissible for the Fund to so invest, denominated in Won. The Fund may also at any time, with respect to up to 35% of its total assets, invest funds in U.S. dollar-denominated money market instruments as reserves for dividends and other distributions to shareholders.

TEMPORARY INVESTMENTS

The Fund may hold and/or invest its assets without limitation in cash and/or Temporary Investments (as defined below) pending initial investment in accordance with the Fund's investment objective and policies and for temporary defensive purposes. To the extent that the Fund invests in Temporary Investments, it may not achieve its investment objective. In addition, for cash management purposes, the Fund may invest its assets in cash and/or rated or unrated short-term debt securities of any quality.

Temporary Investments include high grade debt securities (rated A or above by S&P or A or above by Moody's or with an equivalent rating by other nationally recognized securities rating organizations) or unrated securities judged by the Investment Adviser or Sub-Adviser to be of equivalent quality, denominated in U.S. dollars or in another freely convertible currency including: (1) short-term (less than 12 months to maturity) and medium-term (not more than five years to

maturity) obligations issued or guaranteed by (a) the U.S. government, its agencies or instrumentalities or (b) international organizations designated or supported by multiple foreign governmental entities to promote economic reconstruction or development ("supranational entities"); (2) U.S. finance company obligations, corporate commercial paper and other short-term commercial obligations; (3) obligations (including certificates of deposit, time deposits, demand deposits and bankers' acceptances) of banks; and (4) repurchase agreements with respect to securities in which the Fund may invest.

Repurchase agreements are contracts pursuant to which the seller of a security agrees at the time of sale to repurchase the security at an agreed upon price and date. When the Fund enters into a repurchase agreement, the seller will be required to maintain the value of the securities subject to the repurchase agreement, at not less than their repurchase price. Repurchase agreements may involve risks in the event of insolvency or other default by the seller, including possible delays or restrictions upon the Fund's ability to dispose of the underlying securities. While it does not appear possible to eliminate all risks from these transactions, it will be the Fund's policy to limit repurchase agreement transactions to those parties whose creditworthiness has been reviewed and found satisfactory by the Investment Manager.

OTHER INVESTMENTS

Illiquid Securities. The Fund may invest up to 35% of its total assets, valued at the time of purchase, in illiquid securities, that is, securities for which there is no readily available market, or no market at all. The Fund may be unable to dispose of its holdings in illiquid securities at market prices and may have to dispose of such securities over extended periods of time. See "Risk Factors and Special Considerations -- Market Characteristics and -- Thinly Traded Markets and Illiquid Investments." In many cases, illiquid securities will be subject to contractual or legal restrictions on transfer. In addition, issuers whose securities are not publicly traded may not be subject to the disclosure and other investor protection requirements that may be applicable if their securities were publicly traded.

Although not all the securities held by the Fund will be illiquid, the Fund anticipates that all or most of its portfolio securities generally will be less liquid than those traded in U.S. securities markets.

Depositary Receipts. The Fund may invest in securities of Korean Issuers through sponsored or unsponsored American Depositary Receipts ("ADRs"), Global Depositary Receipts ("GDRs"), and other types of Depositary Receipts (which, together with ADRs and GDRs, are hereinafter referred to as "Depositary Receipts"). Depositary Receipts may not necessarily be denominated in the same currency as the underlying securities into which they may be converted. In addition, the issuers of the stock of unsponsored Depositary Receipts are not obligated to disclose material information in the United States and, therefore, there may not be a correlation between such information and the market value of the Depositary Receipts. ADRs are Depositary Receipts typically issued by a U.S. bank or trust company which evidence ownership of underlying securities issued by a foreign corporation. GDRs and other types of Depositary Receipts are typically issued by foreign banks or trust companies, although they also may be issued by U.S. banks or trust companies, and evidence ownership of underlying securities issued by either a foreign or a U.S. corporation. Generally, Depositary Receipts in registered form are designed for use in the U.S. securities markets and Depositary Receipts in bearer form are designed for use in securities markets outside the United States. For purposes of the Fund's investment policies, the Fund's investments in ADRs, GDRs and other types of Depositary Receipts will be deemed to be investments in the underlying securities.

Shares of Other Investment Funds. The Fund may invest in investment funds which invest principally in securities in which the Fund is authorized to invest. The Fund does not intend to invest in such investment funds unless, in the judgment of the Investment Adviser or the Sub-Adviser, the potential benefits of such investment justify the payment of any applicable premium, sales load and expenses. From time to time, such investment funds may be the sole means by which the Fund may invest in securities of certain Korean Issuers. See "Risk Factors and Special Considerations -- Investment Restrictions and Foreign Exchange Controls." Under the 1940 Act, the Fund may invest a maximum of 10% of its total assets in the securities of other investment companies. In addition, under the 1940 Act, not more than 5% of the Fund's total assets may be invested in the securities of any one investment company provided that the investment does not represent more than 3% of the voting stock of the related acquired investment company. To the extent the Fund invests in other investment funds, the Fund's shareholders will indirectly incur certain duplicative fees and expenses, including investment advisory fees and sales loads paid for transactions in shares of such funds. For a discussion of possible consequences under U.S. federal income tax laws of the Fund's investment in foreign investment funds, see "Taxation -- U.S. Federal Income Taxes."

Rule 144A Securities. The Fund may purchase certain restricted securities ("Rule 144A securities") for which there is a secondary market of qualified institutional buyers, as contemplated by Rule 144A under the Securities Act. Rule 144A provides an exemption from the registration requirements of the Securities Act for the resale of certain restricted securities to qualified institutional buyers. One effect of Rule 144A is that certain Rule 144A securities may be liquid, though there is no assurance that a liquid market for any particular Rule 144A security will develop or be maintained. In promulgating Rule 144A, the Commission stated that the ultimate responsibility for liquidity determinations is that of an investment company's board of directors. However, the Commission stated that the board may delegate the day-to-day function for determining liquidity to a fund's investment adviser, provided that the board retains sufficient oversight. The Board of Directors has adopted policies and procedures for the purpose of determining whether securities that are

eligible for resale under Rule 144A are liquid or illiquid securities. Pursuant to those policies and procedures, the Board of Directors delegated to the Investment Manager, the Investment Adviser or the Sub-Adviser the determination as to whether a particular security is liquid or illiquid. For the purpose of determining whether the Fund can invest in additional illiquid securities, if any Rule 144A security previously determined to be liquid is later determined to be illiquid, such security will be considered illiquid.

Convertible Securities. The Fund may invest in convertible securities including securities that are unrated or rated below investment grade. See "Risk Factors and Special Considerations -- Debt Securities -- High Yield, High Risk Securities."

A convertible security might be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by the Fund is called for redemption, the Fund may be required to permit the issuer to redeem the security, convert it into the underlying common or preferred stock or sell it to a third party.

Warrants. The Fund may invest in warrants, which are securities permitting, but not obligating, their holder to subscribe for other securities. Warrants do not carry the right to dividends or voting rights with respect to their underlying securities, and they do not represent any rights in the assets of the issuer. An investment in warrants may be considered speculative. In addition, the value of a warrant does not necessarily change with the value of the underlying securities and a warrant ceases to have value if it is not exercised prior to its expiration date. Currently, foreign investors, including the Fund, are not permitted to invest in rights or warrants to purchase equity securities issued in Korea.

Equity-Linked Debt Securities. The Fund may invest in equity-linked debt securities. The amount of interest and/or principal payments which the issuer of equity-linked debt securities is obligated to make is linked to the performance of a specified index of equity securities and may be significantly greater or less than payment obligations in respect of other types of debt securities. As a result, equity-linked debt securities are more volatile than other types of debt securities and an investment in equity-linked debt securities may be considered speculative.

Loans and Other Direct Debt Instruments. The Fund may invest in loans and other direct debt instruments. Loans and other direct debt instruments are interests in amounts owed by a corporate, governmental or other borrower to another party. They may represent amounts owed to lenders or lending syndicates (loans and loan participations), to suppliers of goods or services (trade claims or other receivables), or to other parties. Direct debt instruments involve the risk of loss in case of default or insolvency of the borrower and may offer less legal protection to the Fund in the event of fraud or misrepresentation. In addition, loan participations involve a risk of insolvency of the lending bank or other financial intermediary. Direct debt instruments may also include standby financing commitments that obligate the Fund to supply additional cash to the borrower on demand. Loans and other direct debt instruments are generally illiquid and transfers are normally possible only through individually negotiated private transactions. See "Risk Factors and Special Considerations -- Loans and Other Direct Debt Instruments."

Borrowings. The Fund may borrow for temporary or emergency purposes and to finance tender offers and share repurchases. Borrowings by the Fund create an opportunity for greater total return but, at the same time increase exposure to capital risk. In addition, borrowed funds are subject to interest costs which may offset or exceed the return earned on investment of such funds, and which, if the borrowed funds are used to pay dividends or finance share repurchases or tender offers, will reduce the Fund's net income. Although the Fund is permitted to borrow, as indicated above, the Fund has no present intention of engaging in leveraging by borrowing.

Reverse Repurchase Agreements. In a reverse repurchase agreement, the Fund

sells a portfolio instrument to another party, such as a bank or broker-dealer, in return for cash and agrees to repurchase the instrument at a particular price and time. While a reverse repurchase agreement is outstanding, the Fund will maintain appropriate assets in a segregated custodial account to cover its obligation under the agreement, which will consist only of liquid assets, such as cash, U.S. government securities or other liquid high grade debt securities ("liquid assets"). The Fund will enter into reverse repurchase agreements only with parties

whose creditworthiness has been found satisfactory by the Investment Manager, the Investment Adviser or the Sub-Adviser. Such transactions may increase fluctuations in the market value of the Fund's assets and may be viewed as a form of leverage.

Real Estate-Related Instruments. The Fund may invest in real estate-related instruments, including real estate investment trusts, commercial and residential mortgage-backed securities, and real estate financings. Real estate-related instruments are sensitive to factors such as changes in real estate values and property taxes, interest rates, cash flow of underlying real estate assets, overbuilding, and the management skill and creditworthiness of the issuer. Real estate-related instruments may also be affected by tax and regulatory requirements, such as those relating to the environment.

ADDITIONAL INVESTMENT ACTIVITIES

HEDGING AND DERIVATIVES

Certain investment practices in which the Fund is authorized to engage to hedge market risk, such as certain currency hedging techniques, including currency options and futures, options on such futures and forward foreign currency transactions, and certain investment techniques, such as the lending of portfolio securities, forward commitments, standby commitment agreements and the purchase or sale of put and call options, are not currently permitted under Korean laws or regulations. The Fund may engage in these hedging or investment practices to the extent the practices become available in the future or with respect to instruments outside Korea. See "Appendix A -- General Characteristics and Risks of Derivatives" for a further discussion of currency hedging techniques. The Fund is also authorized to manage the effective maturity or duration of debt instruments held by the Fund, or to seek to increase the Fund's income or gain. Although these strategies are regularly used by some investment companies and other institutional investors, few of these strategies can practicably be used to a significant extent by the Fund at the present time and may not become available for extensive use in the future. Over time, techniques and instruments may change as new instruments and strategies are developed or regulatory changes occur.

Subject to the constraints described above, the Fund may purchase and sell interest rate, currency or stock index futures contracts and enter into currency forward contracts and currency swaps; it may purchase and sell (or write) exchange listed and over-the-counter put and call options on debt and equity securities, currencies, futures contracts, fixed income and stock indices and other financial instruments and it may enter into interest rate transactions, equity swaps and related transactions and other similar transactions which may be developed to the extent the Investment Manager, the Investment Adviser or the Sub-Adviser determines that they are consistent with the Fund's investment objective and policies and applicable regulatory requirements (collectively, these transactions are referred to herein as "Derivatives." See "Appendix A -- General Characteristics and Risks of Derivatives"). The Fund may enter into futures contracts or options thereon for purposes other than bona fide hedging if, immediately thereafter, the sum of the amount of its initial margin and premiums on open contracts and options would not exceed 5% of the liquidation value of the Fund's portfolio; provided, that in the case of an option that is in-the-money at the time of the purchase, the in-the-money amount may be excluded in calculating the 5% limitation. The Fund's interest rate transactions may take the form of swaps, caps, floors and collars, currency forward contracts, currency futures contracts, currency swaps and options on currency or currency futures contracts.

Derivatives may be used to attempt to protect against possible changes in the market value of securities held in or to be purchased for the Fund's portfolio resulting from securities markets or currency exchange rate fluctuations, to protect the Fund's unrealized gains in the value of its portfolio securities, to facilitate the sale of those securities for investment purposes, to manage the effective maturity or duration of the Fund's portfolio, or to establish a position in the derivatives markets as a substitute for purchasing or selling particular debt or equity securities. The ability of the Fund to utilize Derivatives successfully will depend on the Investment Adviser's and the Sub-Adviser's ability to predict pertinent market movements, which cannot be assured. These skills are different from those needed to select portfolio securities. The use of Derivatives in certain circumstances will require that the Fund segregate cash, liquid high grade debt obligations or

other

assets to the extent the Fund's obligations are not otherwise "covered" through ownership of the underlying security, financial instrument or currency.

A detailed discussion of Derivatives, including applicable requirements of the Commodity Futures Trading Commission, the requirement to segregate assets with respect to these transactions and special risks associated with such strategies, appears in Appendix A. See also "Risk Factors and Special Considerations -- Investment Practices."

The degree of the Fund's use of Derivatives may be limited by certain provisions of the Code. See "Taxation."

WHEN-ISSUED AND DELAYED DELIVERY SECURITIES

The Fund may purchase securities on a when-issued or delayed delivery basis. Securities purchased on a when-issued or delayed delivery basis are purchased for delivery beyond the normal settlement date at a stated price. No income accrues to the purchaser of a security on a when-issued or delayed delivery basis prior to delivery. Such securities are recorded as an asset and are subject to changes in value based upon changes in market prices. Purchasing a security on a when-issued or delayed delivery basis can involve a risk that the market price at the time of delivery may be lower than the agreed-upon purchase price, in which case there could be an unrealized loss at the time of delivery. The Fund generally will establish a segregated account in which it will maintain liquid assets in an amount at least equal in value to the Fund's commitments to purchase securities on a when-issued or delayed delivery basis. If the value of these assets declines, the Fund will place additional liquid assets in the account on a daily basis so that the value of the assets in the account is equal to the amount of such commitments. As an alternative, the Fund may elect to treat when-issued or delayed delivery securities as senior securities representing indebtedness, which are subject to asset coverage requirements under the 1940 Act.

PURCHASE OF SECURITIES ON MARGIN

The Fund does not currently intend to purchase securities on margin, except that the Fund may obtain such short-term credits as are necessary for the clearance of transactions, and provided that margin payments in connection with futures contracts and options on futures contracts will not constitute purchasing securities on margin. Current Korean laws and regulations do not allow foreign investors such as the Fund to purchase Korean securities on margin.

SHORT SALES "AGAINST THE BOX"

The Fund may from time to time sell securities short "against the box." If the Fund enters into a short sale against the box, it will be required to set aside securities equivalent in kind and amount to the securities sold short (or securities convertible or exchangeable into such securities at no added cost) and will be required to hold such securities while the short sale is outstanding. The Fund will incur transaction costs, including interest expense, in connection with opening, maintaining, and closing short sales against the box. If the Fund engages in any short sales against the box it will incur the risk that the security sold short will appreciate in value after the sale, with the result that the Fund will lose the benefit of any such appreciation.

The Fund may enter into short sales with respect to stocks underlying its convertible security holdings. For example, if the Investment Adviser or the Sub-Adviser anticipates a decline in the price of the stock underlying a convertible security the Fund holds, it may sell the stock short. If the stock price subsequently declines, the proceeds of the short sale could be expected to offset all or a portion of the effect of the stock's decline on the value of the convertible security.

The Fund's obligation to replace the securities borrowed in connection with a short sale will be secured by collateral deposited with the broker that consists of cash, U.S. government securities or other liquid high grade debt obligations. In addition, the Fund will place in a segregated account with its custodian, or designated sub-custodian, an amount of cash, U.S. government securities or other liquid high grade debt obligations equal to the difference, if any, between (1) the market value of the securities sold at the time they were sold short and (2) any cash, U.S. government securities or other liquid high grade debt obligations deposited as collateral

with the broker in connection with the short sale (not including the proceeds of

the short sale). Until it replaces the borrowed securities, the Fund will maintain the segregated account daily at a level so that (1) the amount deposited in the account plus the amount deposited with the broker (not including the proceeds from the short sale) will equal the current market value of the securities sold short and (2) the amount deposited in the account plus the amount deposited with the broker (not including the proceeds from the short sale) will not be less than the market value of the securities at the time they were sold short. A lesser amount of assets may be set aside by the Fund if it owns certain types of instruments, such as a call option on the security sold short, that effectively "cover" the short sale.

Short sales by the Fund involve certain risks and special considerations. Possible losses from short sales differ from losses that could be incurred from a purchase of a security, because losses from short sales may be unlimited, whereas losses from purchases can equal only the total amount invested. The Fund is not currently permitted under Korean laws and regulations to engage in short sales of Korean securities.

INVESTMENT RESTRICTIONS

The Fund's only fundamental policies, that is, policies that cannot be changed without the approval of the holders of a majority of the Fund's outstanding voting securities, are (i) its investment objective, (ii) its policy that under normal market conditions, at least 65% of the Fund's total assets will be invested in equity and debt securities of Korean Issuers, and (iii) the following seven restrictions. As used herein, a "majority of the Fund's outstanding voting securities" means the lesser of (i) 67% of the shares represented at a meeting at which more than 50% of the outstanding shares are represented or (ii) more than 50% of the outstanding shares. The other policies and investment restrictions referred to herein are not fundamental policies of the Fund and may be changed by the Fund's Board of Directors without shareholder approval. Unless otherwise noted, whenever an investment policy or limitation states a maximum percentage of the Fund's assets that may be invested in any security or other asset, or sets forth a policy regarding quality standards, such standard or percentage limitation will be determined immediately after and as a result of the Fund's acquisition of such security or other asset. Accordingly, any subsequent change in values, assets, or other circumstances will not be considered when determining whether the investment complies with the Fund's investment policies and limitations. Under its fundamental policies, the Fund may not:

(1) purchase the securities of any issuer (other than securities issued or guaranteed by the U.S. government or any of its agencies or instrumentalities), if, as a result, more than 25% of the Fund's total assets would be invested in companies whose principal business activities are in the same industry;

(2) issue senior securities, except as permitted under the 1940 Act;

(3) borrow money, except that the Fund may borrow money for temporary or emergency purposes or to finance tender offers and/or share repurchases in an amount not exceeding 33 1/3% of its total assets (including the amount borrowed) less liabilities (other than borrowings); any borrowings that come to exceed this amount will be reduced promptly in accordance with reasonable investment practice to the extent necessary to comply with the 33 1/3% limitation;

(4) underwrite securities issued by others, except to the extent that the Fund may be considered an underwriter within the meaning of the Securities Act in the disposition of restricted securities;

(5) purchase or sell real estate unless acquired as a result of ownership of securities or other instruments (but this will not prevent the Fund from investing in securities or other instruments backed by real estate or securities of companies engaged in the real estate business);

(6) purchase or sell physical commodities unless acquired as a result of ownership of securities or other instruments (but this will not prevent the Fund from purchasing or selling options and futures contracts or from investing in securities or other instruments backed by or indexed to, or representing interests in, physical commodities or investing or trading in derivative investments); or

(7) make any loan if, as a result, more than 33 1/3% of its total assets would be lent to other parties, but this limitation does not apply to purchases of debt securities or to repurchase agreements.

As a matter of non-fundamental policy, the Fund will not purchase any portfolio securities while borrowings representing more than 5% of its total assets are outstanding. To meet federal tax requirements for qualification as a "regulated investment company," the Fund intends to limit its investments so

that at the close of each quarter of its taxable year: (a) with regard to at least 50% of total assets, no more than 5% of total assets are invested in the securities of a single issuer and the Fund will not hold more than 10% of the outstanding voting securities of that issuer; and (b) no more than 25% of total assets are invested in the securities of a single issuer. Limitations (a) and (b) do not apply to "Government securities" as defined for federal tax purposes.

AFFILIATED FINANCIAL INSTITUTION TRANSACTIONS

The Fund may engage in transactions with financial institutions that are, or may be considered to be, "affiliated persons" of the Fund under the 1940 Act. These transactions may include, for example, repurchase agreements with custodian banks; purchase of short-term obligations of, and repurchase agreements with, the 50 largest U.S. banks (measured by deposits); municipal securities; U.S. government securities with affiliated financial institutions that are primary dealers in these securities; short-term currency transactions; and short-term borrowings. In accordance with exemptive orders issued by the SEC, the Board of Directors will establish and periodically review procedures applicable to transactions involving affiliated financial institutions.

FUND'S RIGHTS AS A SHAREHOLDER

The Fund does not intend to direct or administer the day-to-day operations of any company. The Fund, however, may exercise its rights as a shareholder and may communicate its views on important matters of policy to management, the Board of Directors, and shareholders of a company when the Investment Manager, the Investment Adviser or the Sub-Adviser determines that such matters could have a significant effect on the value of the Fund's investment in the company. The activities that the Fund may engage in, either individually or in conjunction with others, may include, among others, supporting or opposing proposed changes in a company's corporate structure or business activities; seeking changes in a company's directors or management; seeking changes in a company's direction or policies; seeking the sale or reorganization of the company or a portion of its assets; or supporting or opposing third party takeover efforts. This area of corporate activity is increasingly prone to litigation and it is possible that the Fund could be involved in lawsuits related to such activities. The Investment Manager, the Investment Adviser or the Sub-Adviser will monitor such activities with a view to mitigating, to the extent possible, the risk of litigation against the Fund, and the risk of actual liability if the Fund is involved in litigation. No guarantee can be made, however, that litigation against the Fund will not be undertaken or liabilities incurred.

RISK FACTORS AND SPECIAL CONSIDERATIONS

Investors should recognize that investing in securities of Korean Issuers and other Asian Issuers involves certain risks and special considerations including those set forth below, which are not typically associated with investing in U.S. Securities. These include: (i) certain restrictions on foreign investment in the Korean securities markets which will preclude investment in certain securities by the Fund and limit investment opportunities for the Fund; (ii) currency devaluations and fluctuations in the rate of exchange between the U.S. dollar and the Won with the resultant fluctuations in the net asset value of the Fund (which is expressed in U.S. dollars); (iii) substantial government involvement in, and influence on, the economy and the private sector; (iv) political, economic and social instability, including the potential for increased militarization in North Korea; (v) the substantially smaller size and lower trading volume of the securities markets for Korean equity securities compared to the U.S. securities markets, resulting in a potential lack of liquidity and increased price volatility; (vi) the risk that the sale of portfolio securities by the Korea Securities Stabilization Fund (the "Stabilization Fund"), a fund established in order to stabilize the Korean securities markets, or other large Korean institutional investors may adversely impact the market value of securities in the Fund's portfolio; (vii) the risk that less information with respect to Korean companies may be available due to the fact that Korean accounting, auditing and financial reporting standards are not equivalent to those applicable to U.S. companies; (viii) heavy concentration of market capitalization and trading volume in a small number

of issuers, which result in potentially fewer investment opportunities for the Fund; (ix) fluctuations in the prices and premium valuations of securities held by the Fund that are traded over the counter among foreign investors; (x) controls on foreign investment and limitations on repatriation of invested capital and on the Fund's ability to exchange Wons for U.S. dollars; (xi) the risk of nationalization or expropriation of assets or confiscatory taxation; (xii) higher rates of inflation; (xiii) less government supervision and regulation of Korean securities markets and participants in those markets; (xiv) settlement delays; (xv) the risk that dividends will be withheld at the source; (xvi) unavailability of currency hedging techniques in the Korean markets; (xvii) the fact that companies in Korea may be smaller, less seasoned and newly organized; (xviii) the risk that it may be more difficult to obtain and/or

enforce a judgment in a court outside the United States; and (xix) the risk of taxation of the Fund, its investments and its income by Korea.

INVESTMENT RESTRICTIONS AND FOREIGN EXCHANGE CONTROLS

Investment in securities of Korean companies by foreign investors is subject to significant restrictions and controls. As a result, the Fund may be limited in its investments or precluded from investing in certain Korean companies, which may adversely affect the performance of the Fund. Conversion of Won into U.S. dollars or other foreign exchange, transfer of funds from Korea to foreign countries and repatriation of foreign capital invested in Korea are subject to certain regulatory requirements pursuant to foreign exchange control laws and regulations. See "The Securities Markets of Korea -- Regulation of Foreign Investment." Under the Foreign Exchange Management Act, if the Minister of Finance of Korea deems that an event of emergency is likely to occur, he may impose any necessary restrictions such as requiring foreign investors, including the Fund, to obtain approval for the acquisition of Korean equity shares or for the remittance overseas of the sale proceeds thereof.

On January 3, 1992, the Korean stock markets were opened to general investment directly by foreign investors following the adoption and implementation by the KSEC and the Ministry of Finance (the "MOF") of certain regulations (as amended from time to time, the "New Regulations") that allow foreign investors to directly purchase and sell equity shares listed on the KSE subject to certain investment ceilings and procedural requirements. Pursuant to the New Regulations, the percentage of each class of a company's outstanding equity shares that may be held by a particular foreign investor and by all foreign investors as a group is limited generally to 3% and 10%, respectively. On October 5, 1994, the MOF announced that, effective December 1, 1994, such 10% limit on aggregate foreign ownership will be increased to 12%. Certain designated public corporations are subject to an aggregate 8% ceiling on acquisitions of equity shares by foreigners. Of the Korean companies listed on the KSE, Pohang Iron & Steel Co., Ltd. ("POSCO") and Korea Electric Power Corporation ("KEPCO") have been so designated. On October 5, 1994, the MOF announced that, in 1995, such 8% ceiling on acquisitions of equity shares by foreigners applicable to POSCO and KEPCO will be increased to 10%. In addition to the ceiling set by the KSEC, under the authority of the Securities and Exchange Act (the "SEA"), the Articles of Incorporation of POSCO and KEPCO set a 1% ceiling on acquisition by a single investor of equity shares of their respective common stock. The KSEC has authority to increase or decrease foreign investment limits and from time to time has exercised such authority. The Korean government has announced its intention to gradually raise the aggregate foreign investment limit. While no specific date has been set for such action, the MOF has targeted 1994-1995 as its goal. If, and when, the aggregate foreign investment limit is raised, the Fund may have more flexibility in selecting investments for its portfolio. There can be no assurance that the aggregate foreign investment limit will be raised. As of July 1, 1994, foreign investors are allowed (1) to invest in non-guaranteed convertible bonds listed on the KSE which are issued by small and medium-sized companies the shares of which are listed on the KSE, with foreign investors in the aggregate and a single foreign investor being allowed to invest in up to 30% and 5% of the listed value of each class of such bonds, respectively; and (2) to participate in new issues of certain low interest rate government or public bonds to be designated from time to time and up to the limit determined from time to time by the KSEC, each denominated in Won and in each case subject to certain procedural requirements.

Securities acquired by foreign investors must be traded on the KSE, with certain exceptions as described below. For transactions on the KSE, a foreign investor must open a Won account for securities transactions

with a securities company for stock investment and a separate account for bond investment and at that time must present its investment registration card to the securities company.

A foreign investor which intends to acquire shares must designate a foreign exchange bank in Korea at which it must open a foreign currency account and a Won account ("Foreign Currency Account" and "Won Account", respectively) exclusively for stock investments and a separate set of such accounts for bond investments. No approval is required for remittance into Korea and deposit of foreign currency funds in the Foreign Currency Account. Upon confirmation by the designated foreign exchange bank, foreign currency funds may be transferred from the Foreign Currency Account at the time required to place a deposit for, or to settle the purchase price of, a stock purchase transaction to a Won account opened at a securities company. Funds in the Foreign Currency Account may be remitted abroad without any governmental approval.

Dividends on shares, or interest on bonds, of Korean companies are paid in Won. No governmental approval is required for foreign investors to receive dividends or interest on, or the Won proceeds of the sale of, any such shares or

bonds to be paid, received and retained in Korea. Dividends paid on, and the Won proceeds of the sale of, any such shares or bonds held by a non-resident of Korea must be deposited either in a Won account with the investor's securities company or its Won Account according to the type of investment (i.e., monies relating to stock investment must be deposited at the stock account and monies relating to bond investment must be placed in the bond account). Funds in the investor's Won Account may be transferred to its Foreign Currency Account or withdrawn for local living expenses (subject to a certain limitations), in each case subject to approval by the investor's designated foreign exchange bank. In addition, funds in the Won Account may be used for future investment in stocks or bonds or for payment of the subscription price of new shares obtained through the exercise of pre-emptive rights.

The repatriation of capital invested by foreign investors may be restricted by the Korean government in its discretion in certain emergency circumstances including, but not limited to, sudden fluctuations in interest rates or exchange rates, extreme difficulty in stabilizing the balance of payments or a substantial disturbance in the Korean financial or capital markets. It is impossible to predict the extent to which foreign investment will continue to increase in Korea or the Fund's ability to participate in such increased foreign investment in light of the foreign holding limitations or governmental restrictions that may be imposed in the future.

Foreign investors such as the Fund are unable to effect share purchase transactions on the KSE in a security that has reached or exceeded the maximum aggregate foreign ownership limit (or the limit less odd-lot shares). As of June 30, 1994, of the 30 largest KSE-listed companies (as measured by total market capitalization), which accounted for approximately 51.5% of the aggregate market capitalization of the KSE, nearly all had reached or exceeded the applicable maximum aggregate foreign ownership limit. As of December 31, 1993, 165 companies of the 693 companies listed on the KSE had reached or exceeded the applicable maximum aggregate foreign ownership limit (23.8% of all companies listed on the KSE) and an additional 159 companies were within 0.5% of the limit. At such date, 84.5% and 77.0% of the permitted foreign holding amount were invested by foreign investors in terms of KSE market capitalization and the number of shares, respectively. During 1992 and 1993, U.S.$10.3 billion was invested in Korea by foreign investors for stock investment, of which U.S.$2.6 billion in stock investments was sold and repatriated outside Korea. During the first six months in 1994, aggregate inflow of foreign stock investments totaling U.S.$3.6 billion by foreign investors and aggregate sales and repatriation of foreign stock investments equaled U.S.$2.5. The Korean government has implemented a system to monitor foreign investment limits and transactions, including the issuance of an investment registration card to each foreign investor for stock investment and a separate card for bond investment. The Fund has obtained the stock investment registration card and intends to apply to obtain the bond investment registration card.

As of the end of 1993, foreign investors held 503.3 million shares, which amounted to 8.74% of the total number of listed shares and 9.81% of total KSE market capitalization at that time.

The following table shows amounts of aggregate foreign inflow and outflow related to stock investment for the periods indicated since 1992.

<TABLE>
<CAPTION>

	INFLOW (IN MILLIONS OF U.S. DOLLARS)	OUTFLOW (IN MILLIONS OF U.S. DOLLARS)
<S> <C>	<C>	<C>
1992	2,735.5	662.5
1993	7,636.8	1,935.7
1994 Jan.	898.4	265.8
Feb.	749.3	300.5
Mar.	473.1	610.3
Apr.	300.1	379.6
May	639.0	433.9
June(1)	582.8	517.5

</TABLE>

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(1) Preliminary.
Source: Monthly Review, July 1994, Securities Supervisory Board.

The following table shows the volume and value of transactions in stocks in Korea by foreigners since 1992.

<TABLE>
<CAPTION>

ON THE KSE

YEAR	SALES VOLUME PURCHASE	SALES VOLUME SALE	SALES VALUE PURCHASE	SALES VALUE SALE	OUTSIDE THE KSE(1) SALES VOLUME	OUTSIDE THE KSE(1) SALES VALUE
	(IN MILLIONS OF SHARES)		(IN MILLIONS OF WON)		(IN MILLIONS OF SHARES)	(IN MILLIONS OF WON
<S> <C>	<C>	<C>	<C>	<C>	<C>	<C>
1992.....	123	52	2,385	877	2	113
1993.....	383	126	6,419	2,089	23	571
1994 Jan.....	41	10	639	193	4	160
Feb.....	20	7	448	124	7	195
Mar.....	12	22	199	383	14	409
Apr.....	16	17	331	309	6	125
May.....	24	16	370	255	8	210
June(2)..	21	22	326	375	11	262

</TABLE>

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(1) Sales Volume and Sales Value are calculated on either purchase or sale side.
(2) Preliminary.
Source: Monthly Review, July 1994, Securities Supervisory Board.

Foreign investors may trade securities of Korean companies only through the KSE except in certain limited circumstances, which include odd-lot trading of securities, acquisition of shares by exercise of warrant, conversion rights under convertible bonds or withdrawal rights under depositary receipts issued outside of Korea by a Korean company, acquisition of shares as a result of inheritance, donation, bequeathal or exercise of shareholders' rights (preemptive rights or rights to participate in free distributions and receive dividends), and direct transactions between foreigners involving the transfer of a class of shares for which the ceiling on acquisition by foreigners in total (as explained above) has been reached or exceeded ("foreign OTC transactions"). Odd-lot trading of shares outside the KSE must involve a licensed securities company in Korea as the second party. For direct transfers of shares outside the KSE between foreigners, a securities company licensed in Korea must act as an intermediary. However, foreign investors such as the Fund are not permitted to enter into such foreign OTC transactions with branches and subsidiaries of foreign banks, securities companies and insurance companies. Foreign OTC transactions typically occur at a premium over prices on the KSE. The Fund may invest in shares of KSE-listed companies through such foreign OTC transactions, and thus pay a premium over the share prices quoted on the KSE. There can be no assurance that the Fund will be able to realize such premium if it sells the shares to another foreign investor. Such premium may be affected by changes in regulation and otherwise, including any change in the percentage of foreign stock ownership permitted in KSE-listed companies. Foreign investors are prohibited from engaging in margin transactions.

Certificates evidencing securities acquired by the Fund must be kept in custody with an eligible custodian in Korea. Only foreign exchange banks (including Korean branches of foreign banks), securities companies (including Korean branches of foreign securities companies) and the Korea Securities Depository are eligible to act as a custodian of securities for a foreign investor. Further, a foreign investor is required to have its custodian deposit its securities with the Korea Securities Depository on a fungible basis for book transfer unless otherwise approved by the Governor of the Securities Board ("Governor").

Unless otherwise approved by the Governor, a foreign investor such as the Fund must appoint one or more standing proxies from among the Korea Securities Depository, securities companies (including Korean branches of foreign securities companies) which have obtained a license to act as standing proxy and foreign exchange banks (including Korean branches of foreign banks) to exercise shareholders' rights, apply to change a name on the shareholders' registry, place an order to sell or purchase shares or engage in any matters related to these activities, if any such activities are not conducted by the foreign investor itself. The Fund has appointed SsangYong Investment & Securities Co., Ltd and also intends to appoint a subsidiary of the Fund's sub-custodian as standing proxy. Because the Fund will be engaging in transactions with several Korean brokers, it may need to appoint a number of standing proxies to efficiently conduct its trading activities. Each such standing proxy appointed will receive a commission for its services. If and only to the extent that a standing proxy other than the Fund's custodian or sub-custodian were deemed to have custody over certain assets of the Fund, the Fund may be required to obtain relief from the Commission or a waiver or modification of the standing proxy requirement from the KSEC or the Governor. There can be no assurance that such relief, waiver or modification will be obtained.

EXCHANGE RATE FLUCTUATIONS

Fidelity currently anticipates that, once fully invested, at least 80% of the Fund's total assets will be invested in equity securities of Korean Issuers.

As a result, most of the income received by the Fund, and assets held by the Fund will be denominated in Won. The computation of net asset value and the distribution of income by the Fund, however, will be made in U.S. dollars. Therefore, the Fund's reported net asset value and its computation and distribution of income in U.S. dollars will be affected adversely by reductions in the value of the Won relative to the U.S. dollar. The Fund also will incur costs of conversion between currencies. In addition, the computation of income will be made on the date of its accrual by the Fund at the foreign exchange rate in effect on that date, and thus, if the value of the Won falls relative to the U.S. dollar between recognition of the income and the making of Fund distributions, the Fund may be required to liquidate investments in order to make distributions if the Fund has insufficient cash in U.S. dollars to meet distribution requirements under the Code. Such liquidation of investments, if required, may have adverse effects on the Fund's performance. In addition, if the liquidated investments include securities that have been held less than three months, such sales may jeopardize the Fund's status as a regulated investment company under the Code. See "Taxation."

Prior to 1980, the value of the Won was fixed against the U.S. dollar. In January 1980, the Korean government devalued the Won against the U.S. dollar by 16.6%, in part to enhance the competitiveness of Korean exports. From February 1980 to March 1990, the Won was traded on the basis of a floating exchange rate, known as the concentration base rate, which was determined by The Bank of Korea by reference to a multi-currency basket. In March 1990, The Bank of Korea concentration base rate system was abolished, and since such date, the exchange rate has been determined by averaging the previous day's inter-bank rates. This system is known as the Market Average Exchange Rate System. Under this system, foreign exchange rates are permitted to move each day within narrow ranges on either side of the market average exchange rates announced by the Korea Financial Telecommunications and Clearings Institute. Since October 1, 1993, the permitted daily range of fluctuation was increased to plus or minus 1.0%. See "The Securities Markets of Korea -- Recent Market and Economic Developments -- Financial Liberalization and Market Opening Plan" and "The Republic of Korea -- Foreign Exchange." The Won appreciated in value an aggregate of 23.74% relative to the U.S. dollar between December 1985 and December 1989, and then depreciated by 18.9% in value relative to the U.S. dollar between December 1989 and December 1993. See "The Republic of Korea."

The Fund is permitted to engage in a variety of currency hedging transactions, which may involve certain risks, although such transactions, with certain exceptions, are not currently permitted under Korean law or regulations. See "Investment Objective and Policies -- Other Investments," "Additional Investment Activities" and "Appendix A -- General Characteristics and Risks of Derivatives."

POLITICAL AND ECONOMIC FACTORS

The value of the Fund's assets may be adversely affected by political, economic or social instability in Korea. Following World War II, the Korean peninsula was partitioned. The demilitarized zone at the boundary between Korea and North Korea was established after the Korean War of 1950-1953 and is supervised by United Nations forces. The United States maintains a military force in Korea to help deter the ongoing military threat from North Korean forces. The situation remains a source of tension, although negotiations to ease tensions and resolve the political division of the Korean peninsula have been carried on from time to time. There also have been efforts from time to time to increase economic, cultural and humanitarian contacts between North Korea and Korea. There can be no assurance that such negotiations or efforts will continue to occur or will result in an easing of tensions between North Korea and the Republic. Tension between the two Koreas rose following the announcement in March 1993 by North Korea of its intention to withdraw from the Nuclear Non-Proliferation Treaty. Subsequent events involving, among other things, North Korea's refusal to comply with the Nuclear Non-Proliferation Treaty and the death on July 8, 1994 of North Korea's President, Kim Il-Sung, have caused the level of tension between the two Koreas to fluctuate. No assurance can be given that the level of tension with North Korea will not increase or change abruptly as a result of future events, including political developments in North Korea following the death of Kim Il-Sung, developments in the dispute concerning North Korea's nuclear program (such as any moves to impose trade sanctions against North Korea, further increasing political tensions and the risk of military conflict) or developments related to proposed meetings between Korea and North Korea. See "The Republic of Korea."

The heightened tensions between Korea and North Korea have depressed new foreign investment in Korea and the availability of foreign financing for Korean companies, and the uncertainty surrounding the situation may adversely affect the economic climate in Korea. The tensions between North Korea and Korea also may adversely affect both the prices of the Fund's portfolio securities and the Fund's share price.

In addition, there have been reports of increased militarization in North

Korea, accompanied by a general economic decline in that country. Military action or the risk of military action or the economic collapse of North Korea could have a material adverse effect on Korea, and consequently, on the ability of the Fund to achieve its investment objective.

The domestic political situation in Korea has undergone significant change in recent years. Following the 1979 assassination of President Park Chung Hee, General Chun Doo Hwan became President under an authoritarian regime which emphasized social and political order, while encouraging renewed economic growth. Following public demonstrations, Roh Tae Woo was democratically elected as President in December 1987. In December 1992, the Korean people elected Kim Young Sam as President. Kim Young Sam is the first popularly elected President of Korea since 1960 not affiliated with the military.

With its lack of natural resources and with exports constituting a large proportion of GNP, the Korean economy is significantly affected by changes in commodity prices (particularly oil), changes in protectionist sentiment among its trading partners and exchange rate movements. The rapid economic development of Korea has in the past led to large foreign borrowings.

Korean companies tend to be substantially more leveraged than U.S. and European companies. The high degree of leverage increases the risk of business failures should adverse business conditions develop. In addition, Korean accounting, auditing and financial reporting standards and practices are not equivalent to those in the United States. Therefore, certain material disclosures (including disclosures as to off-balance sheet financing loan guaranties) may not be made, and less information may be available with respect to investments in Korea than with respect to those in the United States.

MARKET CHARACTERISTICS

Differences Between the U.S. and Korean Markets. The Korean securities markets have substantially less volume than the NYSE, and equity and debt securities of most Korean companies are less liquid and more volatile than equity and debt securities of U.S. companies of comparable size. Many companies traded on Korean securities markets are smaller, newer and less seasoned than companies whose securities are traded on securities markets in the United States. Investments in smaller companies involve greater risk than is customarily associated with investing in larger companies. Smaller companies may have limited product lines, markets or financial or managerial resources and may be more susceptible to losses and risks of bankruptcy. Additionally, market making and arbitrage activities are generally less extensive in such markets, which may contribute to increased volatility and reduced liquidity of such markets. Accordingly, the Korean securities markets may be subject to greater influence by adverse events generally affecting the market, and by large investors trading significant blocks of securities, than is usual in the United States. To the extent that Korea experiences rapid increases in its money supply and investment in equity securities for speculative purposes, the equity securities traded in Korea may trade at price-earnings multiples higher than those of comparable companies trading on securities markets in the United States, which may not be sustainable. Korean securities markets may also be subject to substantial governmental control, which may cause sudden or prolonged disruptions in market prices unrelated to supply and demand considerations. This may also be true of currency markets. The development of the Korean securities markets may be attributed to, among other things, the Korean government's extensive involvement in the private sector, including the securities markets. The aggregate market capitalization of domestic equity securities listed on the KSE was approximately W128.4 trillion (approximately U.S.$159.4 billion) at June 30, 1994, as compared to U.S.$4.4 trillion on the NYSE. As discussed above in "Investment Restrictions and Foreign Exchange Controls," however, only a small portion of the equity securities that compose this market capitalization may be purchased by foreign investors.

The Korean government has from time to time taken measures to minimize excessive price volatility on the KSE, including the imposition of limitations on daily price movements of securities and varying margin requirements. Such actions by the Korean government have had and in the future could have a significant effect on the market prices and dividend yields of Korean equity securities. In particular, during 1990, the Stabilization Fund, a partnership operated by its contributors which include substantially all KSE-listed companies, Korean securities companies and certain institutional investors, was formed to stabilize the market through the purchase and sale of securities. The size of the Stabilization Fund is not officially reported. However, as of January 1994, the Stabilization Fund was reported by the financial press to constitute approximately 5% of the total listed equity market capitalization of the KSE. The purchase and sale of portfolio securities by the Stabilization Fund could exert significant pressure on the market price of KSE-listed securities in which the Fund may invest.

In an attempt to avoid market manipulation, regulations of the KSE require that institutional investors, such as the Fund, place an "entrustment guarantee"

deposit in an amount equal to 20% of the purchase order price with the relevant broker on or prior to placing a purchase order. Non-institutional investors are required to place an entrustment guarantee deposit in an amount equal to 40% of the purchase order price. The remaining purchase price must be paid on or prior to the settlement date, which typically occurs two days after the date of execution. The "entrustment guarantee" deposit requirement applies to both Korean and foreign investors and will expose the Fund to the broker's credit risk. If an entity other than the Fund's custodian or sub-custodian were deemed to have custody over certain assets of the Fund, the Fund may be required to obtain relief from the Commission or a waiver or modification of the entrustment guarantee requirements from the KSE. There can be no assurance that such relief, waiver or modification will be obtained.

There are currently a limited number of securities firms engaged in securities underwriting and trading in Korea. In addition, under current Korean laws and regulations, the Fund is prohibited from participating in initial public offerings of securities except for certain low interest rate government or public bonds to be designated from time to time by the KSEC as explained above. Brokerage commissions and other transaction costs on the KSE are generally higher than in the United States. In addition, security settlements may in some instances be subject to delays and related administrative uncertainties, including risk of loss associated with the credit of local brokers.

Government Supervision of Korean Securities Markets; Legal System. There is less government supervision and regulation of securities exchanges, listed companies and brokers in Korea than exists in the United States. Less information, therefore, may be available to the Fund than in respect of investments in the United States. Further, in Korea, less information may be available to the Fund than to local market participants. Brokers in Korea may not be as well capitalized as those in the United States, so that they are more susceptible to financial failure in times of market, political, or economic stress. In addition, existing laws and regulations are often inconsistently applied. As legal systems in Korea develop, foreign investors may be adversely affected by new laws and regulations, changes to existing laws and regulations and preemption of local laws and regulations by national laws. In circumstances where adequate laws exist, it may not be possible to obtain swift and equitable enforcement of the law. Currently a mixture of legal and structural restrictions affect the Korean securities markets.

Financial Information and Standards. Korean accounting, auditing and financial standards and requirements differ, in some cases significantly, from those applicable to U.S. issuers. In particular, the assets and profits appearing on the financial statements of a Korean issuer may not reflect its financial position or results of operations in accordance with U.S. generally accepted accounting principles. In addition, for an issuer that keeps accounting records in local currency, inflation accounting rules may require, for both tax and accounting purposes, that certain assets and liabilities be restated on the issuer's balance sheet in order to express items in terms of currency of constant purchasing power. Inflation accounting may indirectly generate losses or profits. Consequently, financial data may be materially affected by restatements for inflation and may not accurately reflect the real condition of those issuers and securities markets. Moreover, substantially less information may be publicly available about issuers in Korea than is available about U.S. issuers.

SUBSTANTIAL GOVERNMENT INFLUENCE ON THE PRIVATE SECTOR

The Korean government has historically exercised and continues to exercise substantial influence over many aspects of the private sector. The Korean government from time to time has informally influenced the payment of dividends and the prices of certain products, encouraged companies to invest or to concentrate in particular industries, induced mergers between companies in industries suffering from excess capacity and induced private companies to publicly offer their securities. In addition, the government has sought to minimize excessive price volatility on the KSE through various steps, including the imposition of limitations on daily price movements of securities. Such actions by the government in the future could have a significant effect on the market prices and dividend yields of equity securities, including those in the Fund's portfolio.

The Korean government has attempted, through regulation or other measures, to stabilize the securities market. These included measures intended to channel additional funds from various financial institutions into investment in KSE-listed securities. Another measure was to authorize securities "buy-back funds" to be established as open-ended unit investment trusts with a limited life of five years. Each such trust is managed by one of the three largest Korean securities investment trust management companies. The stated objective of the trusts is to invest in shares of the largest listed companies. However, it is expected that each trust will invest in the shares of companies holding units of such trust. Such trusts are generally restricted from investing in excess of

20% of their total assets in any class of shares of a company. The redemption rights of unit holders are subject to certain restrictions for a period of three years following subscription for the relevant units. Other measures taken include tax incentives for small investors, regular government oversight to ensure that financial institutions are not net sellers of shares and changes in margin requirements for securities transactions. Indirect measures have included from time to time urging institutional investors to act as net buyers to forestall a significant decline in the market.

THINLY TRADED MARKETS AND ILLIQUID INVESTMENTS

Compared to securities traded in the United States, generally all securities of Korean Issuers may be considered to be thinly traded. Even relatively widely held securities in Korea may not be able to absorb trades of a size customarily transacted by institutional investors, without price disruptions. Accordingly, the Fund's ability to reposition itself will be more constrained than would be the case for a mutual fund that invests in the U.S. equity market. The Fund, in addition, may invest up to 35% of its total assets in illiquid equity or debt

securities, that is, securities for which there is no readily available market, or no market at all. Investment of the Fund's assets in relatively illiquid securities may restrict the ability of the Fund to dispose of its investments in a timely fashion and for a fair price as well as its ability to take advantage of market opportunities. The risks associated with illiquidity will be particularly acute in situations in which the Fund's operations require cash, such as when the Fund repurchases shares, commences a tender offer, or pays dividends or distributions, and could result in the Fund borrowing to meet short-term cash requirements or incurring capital losses on the sale of illiquid investments. Further, companies whose securities are not publicly traded are not subject to the disclosure and other investor protection requirements which would be applicable if their securities were publicly traded.

Illiquid investments are investments that cannot be sold or disposed of in the ordinary course of business at approximately the prices at which they are valued because of the absence of a market for such investments. Under the supervision of the Board of Directors, the Investment Manager will determine the liquidity of the Fund's investments and, through reports from the Investment Manager, the Board will monitor investments in illiquid instruments. In determining the liquidity of the Fund's investments, the Investment Manager may consider various factors, including (1) the frequency of trades and quotations, (2) the number of dealers and prospective purchasers in the marketplace, (3) dealer undertakings to make a market, (4) the nature of the security (including any demand or tender features), and (5) the nature of the marketplace for trades (including the ability to assign or offset the Fund's rights and obligations relating to the investment). In the absence of market quotations, illiquid investments are priced at fair value as determined in good faith by a committee appointed by the Board of Directors. If through a change in values, assets, or other circumstances, the Fund were in a position where more than 35% of its total assets were invested in illiquid securities, the Fund would seek to take appropriate steps to protect liquidity.

SETTLEMENT PROCEDURES AND DELAYS

Settlement procedures in Korea are somewhat less developed and reliable than those in the United States and in other developed securities markets, and the Fund may experience settlement delays or other material difficulties. Accordingly, the Fund may be subject to significant delays or limitations on the volume of trading during any particular period as a result of these factors. The foregoing factors could impede the ability of the Fund to effect portfolio transactions on a timely basis and could have an adverse impact on the net asset value of the shares of the Fund's Common Stock and the price at which the shares trade.

INVESTMENTS IN ASIAN ISSUERS

Up to 35% of the Fund's total assets may be invested in equity and debt securities of Asian Issuers, if warranted, in Fidelity's judgment, by economic, political or regulatory conditions in Korea or valuations in the Korean securities markets relative to such conditions. Asian Issuers are issuers (other than issuers meeting the definition of Korean Issuers as defined above), that (i) are organized under the laws of Hong Kong, Japan or Taiwan, (ii) regardless of where organized, and as determined by Fidelity, derive at least 50% of their revenues or profits from goods produced or sold, investments made, or services performed in Hong Kong, Japan or Taiwan, (iii) have the primary trading market for their securities in Hong Kong, Japan or Taiwan or (iv) are governments, or their agencies, instrumentalities or other political sub-divisions of Hong Kong, Japan or Taiwan.

The risk factors identified herein generally also apply to investments the Fund may make in Asian Issuers, although the specific nature of such risks may

vary according to the country in which investments are made. In addition, Korea, Hong Kong, Japan and Taiwan may be subject to greater degrees of economic, political and social instability than is the case in the United States and Western European countries. Such instability may result from, among other things, the following: (i) authoritarian governments or military involvement in political and economic decision-making, including changes in government through extra-constitutional means; (ii) popular unrest associated with demands for improved political, economic and social conditions; (iii) internal insurgencies; (iv) hostile relations with neighboring countries; and (v) ethnic, religious and racial disaffection. Such social, political and economic instability could disrupt the principal financial markets in which the Fund invests and cause losses to the Fund.

Hong Kong. In Hong Kong, British proposals to extend limited democracy have caused a political rift with the Peoples Republic of China (the "PRC"), which is scheduled to assume sovereignty over the colony in 1997. Although the PRC has committed by treaty to preserve the economic and social freedoms enjoyed in Hong Kong for fifty years after regaining control of Hong Kong, the continuance of the current form of economic system in Hong Kong after the reversion will depend on the actions of the government of the PRC. The PRC and the United Kingdom have also yet to resolve their differences on certain issues relating to the reversion of sovereignty, such as the nationality status of certain ethnic minorities in Hong Kong, the construction of a new international airport and most recently, electoral reforms. In addition, such reversion has increased sensitivity in Hong Kong to political developments and statements by public figures in the PRC. Business confidence in Hong Kong, therefore, can be significantly affected by such developments and statements, which in turn can affect markets and business performance.

Hong Kong's economy, followed by Taiwan's economy, is the most likely to be affected by reform in the PRC. Hong Kong and Taiwan have been the leading investors in the PRC. Because direct travel and investment from Taiwan to the PRC is generally banned, Hong Kong has served as an important conduit for Taiwanese trade and investment with the PRC. Rapid development of the PRC's southern provinces has created a diversification of investment from Hong Kong. Producers which originally sought to utilize low cost labor for export production are now investing in facilities that produce an array of goods and services aimed at meeting emerging consumer demand within the PRC. These include finance, telecommunications, electricity production, leisure facilities and consumer goods distribution.

The Hong Kong stock market can be volatile and is sensitive both to developments in the PRC and to the strength of other world markets. As an example, in 1989, the Hang Seng Index of the Hong Kong stock market rose to 3,310 in May from its previous year-end level of 2,687, but fell to 2,094 in early June following the events at Tiananmen Square. The Hang Seng Index gradually climbed in subsequent months, but fell by 181 points on October 16, 1989 (approximately 6.5%) following a substantial fall in the U.S. stock market, and at the year end closed at a level of 2,837. More recently, the Hong Kong stock market has shown its volatility with the Hang Seng Index dropping approximately 26% to 9,029.91 on March 31, 1994 after reaching a record high of 12,201.09 on January 4, 1994 following a sustained bull run that began in December 1992.

Japan. Japan currently has the second-largest GDP in the world. The Japanese economy has grown substantially over the last three decades. Its growth rate averaged over 5% in the 1970s and 1980s. However, in 1992, the growth rate in Japan slowed to 0.6% and the budget showed a deficit of 1.5% percent of GDP. Despite small rallies and market gains, Japan has been plagued with economic sluggishness. Economic conditions have weakened considerably in Japan since October 1992. The boom in Japan's equity and property markets during the expansion of the late 1980s supported high rates of investment and consumer spending on durable goods, but both of these components of demand have now retreated sharply following the decline in asset prices. Profits have fallen sharply, the previously tight labor market conditions have eased considerably, and consumer confidence is low. The banking sector has experienced a sharp rise in non-performing loans, and strains in the financial system are likely to continue. The decline in interest rates and two large fiscal stimulus packages should help to contain the recessionary forces, but substantial uncertainties remain. The general government position has deteriorated as a result of weakening economic growth, as well as stimulative measures taken recently to support economic activity and to restore financial stability.

Although Japan's economic growth has declined significantly since 1990, Fidelity believes many Japanese companies seem capable of rebounding due to increased investments, smaller borrowings, increased product development and continued government support. Growth has recovered in 1994. Japan's economic growth in the early 1980s was due in part to government borrowings. Japan is heavily dependent upon international trade and, accordingly, has been and may continue to be adversely affected by trade barriers, and other protectionist or retaliatory measures of, as well as economic conditions in, the United States

and other countries with which they trade. Industry, the most important sector of the economy, is heavily dependent on imported raw materials and fuels. Japan's major industries are in the engineering, electrical, textile, chemical, automobile, fishing and telecommunication fields. Japan imports iron ore, copper, and many forest products. Only 19% of its land is suitable for cultivation. Japan's agricultural economy is subsidized and protected. Japan's high

volume of exports such as automobiles, machine tools, and semiconductors have caused trade tensions with other countries, particularly the United States. Attempts to approve trading agreements between the countries may reduce the friction caused by the current trade imbalance.

Taiwan. As Taiwan's domestic labor costs have risen, Taiwanese manufacturers have been aggressively relocating production facilities to the southern PRC provinces of Guangdong and Fuijan. In addition, as costs in the southern PRC have increased, Taiwanese manufacturers are developing facilities further north, utilizing their historic ties to the region surrounding Shanghai. If official relations between the PRC and Taiwan improve, Taiwan may eventually replace Hong Kong as the PRC's largest regional trading partner.

In addition, in Hong Kong and Taiwan, there are restrictions on the percent of permitted foreign investment in shares of certain companies, mainly those in highly regulated industries, although in Taiwan there are limitations on foreign ownership of shares of any listed company. Investment in Taiwan requires an investment permit. The Investment Manager intends to apply for a permit on behalf of the Fund and certain other funds managed by the Investment Manager. The Fund may not be permitted to invest in Taiwan until such permit is issued. Taiwan imposes a waiting period on the repatriation of investment capital for certain foreign investors. These restrictions may in the future make it undesirable to invest in Taiwan.

With respect to investments in Taiwan, it should be noted that Taiwan lacks formal diplomatic relations with many nations, although it conducts trade and financial relations with most major economic powers. Both the government of the PRC and the government of the Republic of China in Taiwan claim sovereignty over all of China. Although relations between Taiwan and the PRC are currently peaceful, renewed frictions or hostility could interrupt operations of Taiwanese companies in which the Fund invests and create uncertainty that could adversely affect the value and marketability of its Taiwanese investments. Tension also exists over the PRC's possession of nuclear capabilities and its proximity to Taiwan.

DEBT SECURITIES -- HIGH YIELD, HIGH RISK SECURITIES

The Fund's investment policies do not limit the percentage of the Fund's debt securities investments which may be invested in debt securities that are unrated or rated below investment grade. Under current Korean laws and regulations, the Fund is prohibited from investing in debt securities denominated in Won except to a very limited extent as explained above. The market value of debt securities generally varies in response to changes in interest rates and the financial conditions of each issuer. During periods of declining interest rates, the value of debt securities generally increases. Conversely, during periods of rising interest rates, the value of such securities generally declines. These changes in market value will be reflected in the Fund's net asset value.

The Fund's investments in debt securities of Korean Issuers or of Asian Issuers may generally be considered to have credit quality below investment grade as determined by internationally recognized credit rating agency organizations. Debt securities rated below investment grade (commonly referred to as "junk bonds" when issued in the United States) are considered to be speculative. Investment in low rated securities typically involves risks not associated with higher rated securities, including, among others, overall greater risk of timely and ultimate payment of interest and principal, potentially greater sensitivity to general economic conditions, greater market price volatility and less liquid secondary market trading. Certain of the Fund's investments may be considered to have extremely poor prospects of ever attaining any real investment standing, to have a current identifiable vulnerability to default, to be unlikely to have the capacity to pay interest and repay principal when due in the event of adverse business, financial or economic conditions, or to be in default or not current in the payment of interest or principal.

Low rated debt securities may be more susceptible to real or perceived adverse economic and competitive industry conditions than investment grade securities. The prices of low rated debt securities have been found to be less sensitive to interest rate changes than higher rated investments, but more sensitive to adverse economic downturns or individual corporate developments. A projection of an economic downturn or of a period of rising interest rates, for example, could cause a decline in low rated debt securities prices because the advent of a recession could lessen the ability of a highly leveraged company to

make principal and interest payments on its debt securities. If the issuer of low rated debt securities defaults, the Fund may incur

additional expenses in seeking recovery. See "Appendix B -- Debt Ratings" for a description of ratings of debt instruments.

LOANS AND OTHER DIRECT DEBT INSTRUMENTS

Purchasers of loans and other forms of direct indebtedness depend primarily upon the creditworthiness of the borrower for payment of principal and interest. Direct debt instruments may not be rated by any nationally recognized rating service. If the Fund does not receive scheduled interest or principal payments on such indebtedness, the Fund's share price and yield could be adversely affected. Loans that are fully secured offer the Fund more protections than an unsecured loan in the event of non-payment of scheduled interest or principal. However, there is no assurance that the liquidation of collateral from a secured loan would satisfy the borrower's obligation, or that the collateral can be liquidated. Indebtedness of borrowers whose creditworthiness is poor involves substantially greater risks, and may be highly speculative. Borrowers that are in bankruptcy or restructuring may never pay off their indebtedness, or may pay only a small fraction of the amount owed. Direct indebtedness of Korea will also involve a risk that the governmental entities responsible for the repayment of the debt may be unable, or unwilling, to pay interest and repay principal when due.

Investments in loans through direct assignment of a financial institution's interests with respect to a loan may involve additional risks to the Fund. For example, if a loan is foreclosed, the Fund could become part owner of any collateral, and would bear the costs and liabilities associated with owning and disposing of the collateral. In addition, it is conceivable that under emerging legal theories of lender liability, the Fund could be held liable as a co-lender. Direct debt instruments may also involve a risk of insolvency of the lending bank or other intermediary. Direct debt instruments that are not in the form of securities may offer less legal protection to the Fund in the event of fraud or misrepresentation. In the absence of definitive regulatory guidance, the Fund relies on the Investment Manager's, the Investment Adviser's and the Sub-Adviser's research in an attempt to avoid situations where fraud or misrepresentation could adversely affect the Fund.

A loan is often administered by a bank or other financial institution that acts as agent for all holders. The agent administers the terms of the loan, as specified in the loan agreement. Unless, under the terms of the loan or other indebtedness, the Fund has direct recourse against the borrower, it may have to rely on the agent to apply appropriate credit remedies against a borrower. If assets held by the agent for the benefit of the Fund were determined to be subject to the claims of the agent's general creditors, the Fund might incur certain costs and delays in realizing payment on the loan or loan participation and could suffer a loss of principal or interest.

Direct indebtedness purchased by the Fund may include letters of credit, revolving credit facilities, or other standby financing commitments obligating the Fund to pay additional cash on demand. These commitments may have the effect of requiring the Fund to increase its investment in a borrower at a time when it would not otherwise have done so, even if the borrower's condition makes it unlikely that the amount will ever be repaid. The Fund will set aside appropriate liquid assets in a segregated custodial account to cover its potential obligations under standby financing commitments.

The Fund limits the amount of total assets that it will invest in any one issuer. For purposes of these limitations, the Fund generally will treat the borrower as the "issuer" of indebtedness held by the Fund. In the case of loan participations where a bank or other lending institution serves as financial intermediary between the Fund and the borrower, if the participation does not shift to the Fund the direct debtor-creditor relationship with the borrower, SEC interpretations require the Fund, in appropriate circumstances, to treat both the lending bank or other lending institution and the borrower as "issuers" for these purposes. Treating a financial intermediary as an issuer of indebtedness may restrict the Fund's ability to invest in indebtedness related to a single financial intermediary, even if the underlying borrowers represent many different companies.

SWAP AGREEMENTS

Swap agreements can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swap agreements may increase or decrease the Fund's exposure to long-or short-term interest rates (in the United States or abroad), foreign currency values, mortgage securities, corporate borrowing rates, or other factors such as security prices or

inflation rates. Swap agreements can take many different forms and are known by a variety of names. The Fund is not limited to any particular form of swap agreement if the Investment Manager, the Investment Adviser or the Sub-Adviser determines it is consistent with the Fund's investment objective and policies.

In a typical cap or floor agreement, one party agrees to make payments only under specified circumstances, usually in return for payment of a fee by the other party. For example, the buyer of an interest rate cap obtains the right to receive payments to the extent that a specified interest rate exceeds an agreed-upon level, while the seller of an interest rate floor is obligated to make payments to the extent that a specified interest rate falls below an agreed-upon level. An interest rate collar combines elements of buying a cap and selling a floor.

Swap agreements will tend to shift the Fund's investment exposure from one type of investment to another. For example, if the Fund agreed to exchange payments in U.S. dollars for payments in foreign currency, the swap agreement would tend to decrease the Fund's exposure to U.S. interest rates and increase its exposure to foreign currency and interest rates. Caps and floors have an effect similar to buying or writing options. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the Fund's investments and its share price and yield.

The most significant factor in the performance of swap agreements is the change in the specific interest rate, currency, or other factors that determine the amounts of payments due to and from the Fund. If a swap agreement calls for payments by the Fund, the Fund must be prepared to make such payments when due. In addition, if the counterparty's creditworthiness declined, the value of a swap agreement would be likely to decline, potentially resulting in losses. The Fund expects to be able to eliminate its exposure under swap agreements either by assignment or other disposition, or by entering into an offsetting swap agreement with the same party or a similarly creditworthy party.

The Fund will maintain appropriate liquid assets in a segregated custodial account to cover its current obligations under swap agreements. If the Fund enters into a swap agreement on a net basis, it will segregate assets with a daily value at least equal to the excess, if any, of the Fund's accrued obligations under the swap agreement over the accrued amount the Fund is entitled to receive under the agreement. If the Fund enters into a swap agreement on other than a net basis, it will segregate assets with a value equal to the full amount of the Fund's accrued obligations under the agreement.

INDEXED SECURITIES

The Fund may purchase securities whose prices are indexed to the prices of other securities, securities indices, currencies, precious metals or other commodities, or other financial indicators. Indexed securities typically, but not always, are debt securities or deposits whose value at maturity or coupon rate is determined by reference to a specific instrument or statistic. Gold-indexed securities, for example, typically provide for a maturity value that depends on the price of gold, resulting in a security whose price tends to rise and fall together with gold prices. Currency-indexed securities typically are short-term to intermediate-term debt securities whose maturity values or interest rates are determined by reference to the values of one or more specified foreign currencies, and may offer higher yields than U.S. dollar-denominated securities of equivalent issuers. Currency-indexed securities may be positively or negatively indexed; that is, their maturity value may increase when the specified currency value increases, resulting in a security that performs similarly to a foreign currency-denominated instrument, or their maturity value may decline when foreign currencies increase, resulting in a security whose price characteristics are similar to a put on the underlying currency. Currency-indexed securities may also have prices that depend on the values of a number of different foreign currencies relative to each other.

To the extent that the Fund invests in indexed securities, it will be subject to the risks associated with changes in the particular indices, which may include reduced or eliminated interest payments and losses of invested principal. Certain indexed securities may have the effect of providing a degree of investment leverage, because they may increase or decrease in value at a rate that is a multiple of the changes in applicable indices. As a result, the market value of such securities will generally be more volatile than the market values of fixed-rate securities.

The performance of indexed securities depends to a great extent on the performance of the security, currency, or other instrument to which they are indexed, and may also be influenced by interest rate changes in the United States and abroad. At the same time, indexed securities are subject to the credit risks associated with the issuer of the security, and their values may decline substantially if the issuer's creditworthiness deteriorates. Recent

issuers of indexed securities have included banks, corporations, and certain U.S. government agencies. Indexed securities may be more volatile than the underlying instruments.

INVESTMENT PRACTICES

Certain risks and special considerations of certain of the investment practices in which the Fund may engage are described above under "Investment Objective and Policies" and "Additional Investment Activities." In addition, the Fund's ability to engage in these investment practices may be limited by certain rules and regulations in Korea. Derivatives involve special risks, including possible default by the other party to the transaction, illiquidity and, to the extent Fidelity's view as to certain market movements is incorrect, the risk that the use of a Derivative could result in greater losses than if it had not been used. Use of put and call options could result in losses to the Fund, force the purchase or sale of portfolio securities at inopportune times or for prices higher or lower than current market values, or cause the Fund to hold a security it might otherwise sell. The use of currency transactions could result in the Fund's incurring losses as a result of the imposition of exchange controls, suspension of settlements, or the inability to deliver or receive a specified currency in addition to exchange rate fluctuations. The use of options and futures transactions entails certain special risks. In particular, the variable degree of correlation between price movements of futures contracts and price movements in the related portfolio position of the Fund could create the possibility that losses on the derivative instrument will be greater than gains in the value of the Fund's position. In addition, futures and options markets could be illiquid in some circumstances and certain over-the-counter options could have no markets. The Fund might not be able to close out certain positions without incurring substantial losses. To the extent the Fund utilizes futures and options transactions for hedging, such transactions should tend to minimize the risk of loss due to a decline in the value of the hedged position and, at the same time, limit any potential gain to the Fund that might result from an increase in value of the position. Finally, the daily variation margin requirements for futures contracts create a greater ongoing potential financial risk than would purchases of options, in which case the exposure is limited to the cost of the initial premium and transaction costs. Losses resulting from the use of Derivatives will reduce the Fund's net asset value, and possibly income, and the losses may be greater than if Derivatives had not been used. Additional information regarding the risks and special considerations associated with Derivatives appears in "Appendix A -- General Characteristics and Risks of Derivatives."

NON-DIVERSIFICATION

The Fund is classified as a non-diversified investment company under the 1940 Act, which means that the Fund is not limited by the 1940 Act in the proportion of its assets that may be invested in the obligations of a single issuer. Thus, the Fund may invest a greater proportion of its assets in the securities of a smaller number of issuers and, as a result, could be subject to greater risk of loss. The Fund, however, intends to comply with the diversification requirements imposed by the Code for qualification as a regulated investment company, which generally limits investments in any one issuer to 25% of the Fund's total assets. See "Taxation -- U.S. Federal Income Taxes" and "Investment Restrictions."

WITHHOLDING AND OTHER TAXES

The Fund may be subject to certain taxes, including withholding or other taxes on income and capital gains, that are or may be imposed by Korea or other foreign governments, which will reduce the return to the Fund. The Fund does not intend to engage in activities that will create a permanent establishment in Korea within the meaning of the Korea-U.S. Tax Treaty. Therefore, the Fund generally will not be subject to any Korean income taxes other than Korean withholding taxes. Exemptions or reductions in these taxes apply if the Korea-U.S. Tax Treaty applies to the Fund. If the treaty provisions are not, or cease to be, applicable to the Fund, significant additional withholding taxes would apply. Korean counsel to the Fund, Shin & Kim, have given their opinion that the treaty presently does apply to the Fund if and so long as the Fund operates as

described herein. The Fund has received written confirmation from the MOF that, so long as all of the issued shares of the Fund are listed on one or more publicly acknowledged stock exchanges in the United States only and they are traded on such exchanges by the general public, the Fund will be entitled to the benefits of the Treaty. See "Taxation -- Korean Taxes." The imposition of such taxes and the rates imposed are subject to change. The Fund may elect, when eligible, to "pass-through" to the Fund's shareholders such taxes that are treated as income taxes for U.S. Federal income tax purposes. If the Fund makes such election, shareholders will be required to include in income their proportionate shares of the amount of non-U.S. income taxes paid by the Fund and may be entitled to claim either a credit or deduction for all or a portion of

such taxes. See "Taxation -- U.S. Federal Income Taxes" below for a discussion of the rules and limitations applicable to the treatment of non-U.S. income taxes under the U.S. Federal income tax laws. Certain shareholders, including some non-U.S. shareholders, will not be entitled to the benefit of a deduction or credit with respect to non-U.S. income taxes paid by the Fund. If a shareholder is eligible and elects to credit foreign taxes, such credit is subject to limitations. Other foreign taxes, such as transfer taxes, may be imposed on the Fund, but would not be eligible to be passed through to shareholders as a credit or deduction. Also, additional U.S. Federal income taxes and charges may be incurred as a result of any investment made in "passive foreign investment companies." See "Taxation -- U.S. Federal Income Taxes" and "-- Other Taxation."

CERTAIN PROVISIONS OF THE ARTICLES OF INCORPORATION

The Fund's Articles of Incorporation include provisions that could have the effect of limiting the ability of other entities or persons to acquire control of the Fund or to change the composition of its Board of Directors. Such provisions could have the effect of depriving shareholders of an opportunity to sell their shares of Common Stock at a premium over prevailing market prices by discouraging a third party from seeking to obtain control of the Fund. See "Description of Capital Stock -- Special Voting Provisions."

SECONDARY MARKET AND NET ASSET VALUE DISCOUNT

The Fund is a newly organized company with no prior operating history. Prior to the Offering, there has been no public market for the Fund's shares of Common Stock. The Fund cannot predict what effect, if any, the relative sizes of the U.S. Offering and the International Offering will have on the secondary market trading for the Shares of Common Stock in the United States or on the value of the Shares. There can be no assurance that an active trading market will develop or be sustained. In addition, shares of closed-end investment companies have in the past frequently traded at a discount from their net asset values and initial offering prices. This characteristic of shares of a closed-end fund is a risk separate and distinct from the risk that a fund's net asset value will decrease. The Fund cannot predict whether its own Shares will trade at, below or above net asset value. The risk of loss associated with purchasing shares of a closed-end investment company is more pronounced for investors who purchase in the initial public offering and who wish to sell their shares of Common Stock in a relatively short period of time.

FOREIGN SUBCUSTODIANS AND SECURITIES DEPOSITORIES

Rules adopted under the 1940 Act permit the Fund to maintain its foreign securities and cash in the custody of certain eligible non-U.S. banks and securities depositories. Certain banks in foreign countries may not be eligible sub-custodians for the Fund under such rules, in which event the Fund may be precluded from purchasing securities in which it would otherwise invest, and other banks that are eligible foreign sub-custodians may be recently organized or otherwise lack extensive operating experience. In addition, in certain countries, such as Korea, there may be legal restrictions or limitations on the ability of the Fund to recover assets held in custody by foreign sub-custodians in the event of the bankruptcy of the sub-custodian. The Fund also may experience settlement delays or other material difficulties. See "Risk Factors and Special Considerations -- Settlement Procedures and Delays."

TRANSFER RESTRICTIONS

Investors who purchase Shares at a reduced price will be restricted from transferring such Shares for a period of 90 days after the closing of the Offering. There is no restriction on the number of Shares that may be purchased subject to the transfer restriction described above, except that the Underwriters have undertaken to

comply, with respect to non-restricted Shares, with the distribution requirements of the NYSE. See "Underwriting." To the extent these investors sell their Shares once the transfer restriction is no longer applicable, the market price of the Common Stock could be adversely affected. In addition, the transfer restriction will reduce the number of Shares available for sale in the secondary market during the 90-day restriction period.

EXPENSES

The operating expense ratio of the Fund can be expected to be higher than that of a fund investing primarily in the securities of U.S. issuers since the expenses of the Fund (such as custodial, currency exchange and communication costs) are higher. See "Summary of Expenses." Brokerage commissions and transaction costs for transactions both on and off the KSE are generally higher than in the United States. It is expected, however, that the Fund's investment advisory fee, as well as its overall expense ratio, will be comparable to those of many closed-end management investment companies of comparable size that

invest primarily in securities of issuers in a single foreign country.

THE REPUBLIC OF KOREA

The information set forth herein has been extracted from various governmental and private sources. The Fund, its Board of Directors, the Investment Manager, the Investment Adviser and the Sub-Adviser make no representation as to the accuracy of the information, nor has the Fund or its Board of Directors attempted to verify the statistical information presented herein. Statistical data may vary from source to source as a result of differences in the underlying assumptions or methodology used. In addition, no representation is made that any correlation will exist between the Republic of Korea or its economy in general and the performance of the Fund.

GENERAL INFORMATION

GENERAL

The Republic of Korea ("Korea") was founded on August 15, 1948 following elections held in southern Korea. Korea has since controlled and administered the portion of the Korean peninsula that lies generally to the south of the 38th parallel.

The Korean peninsula is approximately 620 miles long and 125 miles wide. Korea has a land area of about 38,000 square miles (98,966 square kilometers), approximately one-fourth of which is arable. It is bordered to the north by The Democratic People's Republic of Korea ("North Korea") and to the east, west and south by the East Sea, the Yellow Sea and the Korean Strait, respectively.

The country was under Japanese rule from 1910 until 1945 when, following the Japanese surrender at the end of World War II, U.S. forces occupied the southern half of the Korean peninsula and Soviet forces established a presence in the northern half. In 1948 the United Nations General Assembly declared Korea to be the only legal government in the Korean peninsula.

The Korean War of 1950-1953 began with the invasion of Korea by communist forces from the North, and following a military stalemate, ended with an armistice establishing a demilitarized zone in the vicinity of the 38th parallel which became the boundary between Korea and North Korea. The armistice agreement continues to be supervised by United Nations forces.

By 1993, the population of Korea had risen to approximately 44 million from 25 million in 1960. The proportion of the population engaged in agriculture and forestry was decreasing over the same period, dropping to approximately 14 percent of the economically active population in 1993. Correspondingly, the population segment engaged in manufacturing was increasing, reaching approximately 24 percent of the economically active population in 1993. The population density, at approximately 1,134 persons per square mile, is one of the highest in the world. Over half the population lives in cities, the largest of which is the capital Seoul, with a population of about 10.9 million in 1993. Pusan is the second largest city (population around 3.9 million in 1993) and is also Korea's largest port.

POLITICS AND FOREIGN RELATIONS

The early years of Korea were dominated by the successive presidencies of Dr. Syngman Rhee, who was first elected in 1948 and re-elected in 1952, 1956 and 1960. President Rhee resigned shortly after his 1960 re-election, partly in response to pressure from student-led demonstrations, and was succeeded by Yoon Bo Sun. In 1961, a group of military leaders headed by Park Chung-Hee assumed power. A civilian government was subsequently established, and Mr. Park was formally elected President in October 1963. President Park served until 1979 when he was assassinated following a period of increasing strife between the Government and its critics. Martial law was declared and an interim government was formed under Prime Minister Choi Kyu-Ha who became the next President. After clashes between the Government and its critics, President Choi resigned and was succeeded in August 1980 by General Chun Doo Hwan.

Under the leadership of President Chun, a new Constitution, providing for the indirect election of the President and for certain democratic reforms, was approved in a national referendum and shortly thereafter, in early 1981, President Chun was re-elected and inaugurated as President. In 1987, following public demonstra-

tions against the prospect of choosing President Chun's successor through indirect elections in an electoral college, the Constitution was revised to permit the direct election of the President. In December 1987, Roh Tae Woo was

elected President by a narrow plurality, after the opposition parties led by Kim Young Sam and Kim Dae Joong failed to unite behind a single candidate. In February 1990, members of two opposition political parties, including the party led by Kim Young Sam, merged into the ruling Democratic Liberal Party led by President Roh.

In December 1992, Kim Young Sam was elected President as the candidate of the Democratic Liberal Party. This election of a civilian and former opposition party leader as President significantly reduced the controversy concerning the legitimacy of the political regime. President Kim has emphasized reform, the liberalization of politics, deregulation and the revitalization of the economy of Korea.

Relations between Korea and North Korea have been tense over most of Korea's history. North Korea maintains a regular military force estimated at close to one million troops, the majority of which are concentrated near the northern border of the demilitarized zone. Korea maintains a state of military preparedness along the southern border of the demilitarized zone. Korea has a national conscription system and a regular military force consisting of approximately 655,000 troops. In addition to the regular forces, there are reserves of almost 3.2 million troops. The United States currently maintains military forces of approximately 40,000 troops in Korea.

Political contacts between Korea and North Korea have increased in recent years. Commencing in September 1990, the Prime Ministers of Korea and North Korea have from time to time held talks in Seoul and Pyongyang to discuss various matters. In December 1991, the Prime Ministers of Korea and North Korea signed an "Agreement on Reconciliation, Nonaggression and Exchange and Cooperation" in which the two sides agreed, among other things, to take further steps toward conciliation, nonaggression and economic cooperation. The agreement was put into force in February 1992. Tension between the two Koreas rose following the announcement in March 1993 by North Korea of its intention to withdraw from the Nuclear Non-Proliferation Treaty and North Korea's continuing refusal to allow full inspection of its nuclear facilities by officials of the International Atomic Energy Commission. Subsequent events involving, among other things, North Korea's refusal to comply with the Nuclear Non-Proliferation Treaty and the death on July 8, 1994 of North Korea's President, Kim Il-Sung, have caused the level of tension between the two Koreas to fluctuate. No assurance can be given that the level of tension with North Korea will not increase or change abruptly as a result of future events, including political developments in North Korea following the death of Kim Il-Sung, developments in the dispute concerning North Korea's nuclear program (such as any moves to impose trade sanctions against North Korea, further increasing political tensions and the risk of military conflict) or developments related to proposed meetings between Korea and North Korea. The Fund cannot predict the effect, if any, of recent or future events in North Korea on the securities markets in Korea or elsewhere.

Korea maintains diplomatic relations with most nations of the world. Korea's strongest ties are with the United States and include a mutual defense treaty and several agreements designed to promote Korea's economy. Korea's relationship with Japan, now its largest trading partner after the United States, is also increasingly important. Japan constitutes Korea's leading source of imported capital goods, technology and direct foreign investment and provides more than half of all foreign visitors to Korea.

Korea continues to seek improved relations with communist and formerly communist countries. Since the beginning of 1989, Korea has established diplomatic relations with Hungary, Poland, Yugoslavia, the Czech Republic, Slovakia, Bulgaria, Rumania, Mongolia, and the People's Republic of China. In January 1991, the Government announced an accord with the Soviet Union contemplating a general purpose loan to the Soviet Union and loans for the purchase of Korean products. Such loans were to be made available pursuant to Korean bank facilities over the subsequent three year period. Advances of the remaining loans to be made pursuant to the accord have been suspended by the Government and discussions have been held with the Commonwealth of Independent States, successor to the Soviet Union concerning possible lifting of such suspension. Korea has also established diplomatic relations with the Commonwealth of Independent States and its other members.

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GOVERNMENT

Governmental authority in Korea is highly centralized and is concentrated in a strong Presidency. The Constitution provides for the direct election of the President by popular vote. Under the Constitution, the term of office of the President is five years and he may not be re-elected.

The President, who is Chief of State and head of government, is also Chairman of the State Council (cabinet), which consists of the Prime Minister, who is appointed by the President with the consent of the National Assembly, the deputy prime ministers, the heads of the government ministries and ministers of

state. The President has the authority to select who shall serve in the State Council on the recommendation of the National Assembly and also can appoint or remove other government officials, including local officials such as governors and mayors. The Prime Minister, by order of the President, is responsible for the overall coordination of various ministries and agencies.

The President has the right to veto new legislation and to take emergency measures in case of natural disaster, serious fiscal or economic crisis, state of war or similar conditions. The President is required to notify the National Assembly promptly of any such emergency measures taken, and to seek its concurrence, failing which the emergency measures are automatically invalidated.

Legislative power is vested in the National Assembly, consisting of 299 members. About three-quarters (224) of the members of the National Assembly are elected by popular vote for a term of four years, and the remaining seats (75) are distributed proportionately among parties winning over 3% of the votes in the direct election. The term of office of all members is set at four years. The National Assembly enacts laws, approves treaties and approves the national budget. Most legislation is drafted by the executive branch, which then submits the bill to the National Assembly for approval. In the event of violation of the constitution by the President, the Prime Minister, members of the State Council, heads of executive ministries, judges, or other public officials, the National Assembly has the power to pass a motion for impeachment.

Judicial power is vested in the Supreme Court, the Constitutional Court and other lower courts at various levels. The highest court of Korea is the Supreme Court which has the final power to review the constitutionality or legality of administrative decrees, regulations or dispositions. There are 14 justices on the Supreme Court.

The Constitutional Court consisting of nine members appointed by the President for six year terms has the power to rule on the constitutionality of a law, impeach public officials, dissolve political parties and review petitions relating to the constitution. Disputes relating to the separation of powers between the branches of national government, governmental agencies and local autonomous entities are also resolved by the Constitutional Court.

Administratively, Korea is divided into nine provinces and six cities with provincial status, Seoul, Pusan, Taegu, Inchon, Kwangju and Taejon. Local governments are directed by the Government and principal officials are appointed by the President. However, the Government has announced its intention to introduce some measure of local autonomy. In March and June 1991, the Government held local assembly elections at the county and province levels. The next local assembly elections at the county and province levels are scheduled to be held in April 1995 and will be accompanied by the first mayoral election for the province of Seoul.

POLITICAL ORGANIZATIONS

Three opposition parties were officially formed in anticipation of the Presidential elections of December 1987. The first election to the National Assembly under the current constitution occurred in April 1988. In February 1990, two of the opposition parties and the ruling party led by President Roh were each disbanded to form the Democratic Liberal Party (the "DLP"). Certain members of the two opposition parties so disbanded established a new party, which merged later into the other remaining opposition party forming a consolidated new opposition party named the Democratic Party (the "DP"). The last National Assembly elections were

held on March 24, 1992 and the next election is scheduled to be held by April 11, 1996. As of August 31, 1993, the distribution of seats in the National Assembly by parties was as follows:

<TABLE>
<CAPTION>

	DLP	DP	OTHER	TOTAL
<S>	<C>	<C>	<C>	<C>
Number of Seats.....	176	98	25	299

</TABLE>

INTERNATIONAL ORGANIZATIONS

Korea maintains membership in a number of supranational organizations, including the International Monetary Fund, the International Bank for Reconstruction and Development (the World Bank), the International Development Association, the Asian Development Bank and the International Finance Corporation. It is a party to the General Agreement on Tariffs and Trade. In September 1991, Korea and North Korea became members of the United Nations.

THE ECONOMY

ECONOMIC POLICY AND THE FIVE YEAR PLANS

Korean industry and commerce are predominantly privately owned and operated. The Government, however, is actively involved in establishing economic policy objectives and implementing such policies with a view toward maintaining national security, encouraging industrial development and improving living standards. Economic, financial and business priorities can be influenced by the Government through its control of approvals and licenses and through the allocation of credit. However, such Government influence has gradually diminished through deregulation and market self-regulation, in keeping with Korea's liberalization policy.

The Economic Planning Board, headed by the Deputy Prime Minister, is primarily responsible for formulating economic policies, including the Five Year Economic and Social Development Plans which have guided economic policy since 1962. The Economic Planning Board exercises overall direction of the economy by means of economic policies in cooperation with the various ministries. The Ministry of Finance implements fiscal, financial and monetary policies. To encourage particular industries, the Government uses such measures as financial assistance and tax incentives.

The emphasis of the Five Year Plans has changed over the years from the development of import substitution industries, the building up of infrastructure and the development of industries with export potential to a focus on economic stabilization, liberalization of the economy, reduction of restrictions on direct foreign investment and improvements in social conditions. Since the establishment of the Five Year Plans, the economy of Korea has changed from one characterized by agricultural production and the export of raw materials, textiles and clothing to one characterized by the production and export of manufactured goods, particularly electronic products, ships, machinery and steel. The new Government announced in early 1993 economic reform and development programs to be implemented in a new Five Year Economic Plan for the period through 1997. Pursuant to the Plan, the Government will promote fiscal, financial and administrative reforms and changes in prevailing patterns of economic behavior. The current plan anticipates enhancing the growth of the economy by a variety of measures, including industrial structural adjustment, the establishment of new competition rules and the development of the information industry, small and medium-sized firms and the agriculture and fishery sectors. The plan also anticipates fiscal reform in a number of areas and further reform and liberalization of the financial sector. Growth in GNP is projected to be maintained at or above 7% in real terms, with a balance of payments surplus by 1995 and consumer price inflation reduced steadily to a rate of under 4% per annum. The Plan is also intended to promote stable growth and globalization of the Korean economy and to improve the quality of life in Korea.

GROSS NATIONAL PRODUCT

During the past two decades, the average annual real increase in GNP has been approximately 9.0%. Such increase is attributable in part to Government policies, as articulated in the Five Year Economic Plan, favoring export-led growth and an industrious and well-trained labor force. During this period, Korea made

significant progress toward the transformation of its economy from one characterized by agricultural production and the export of raw materials to that of a modern industrial state.

The Korean economy has in recent years displayed high growth and, until 1988 when inflation accelerated, low inflation rates. In 1989, GNP growth slowed by comparison to the previous two years, with GNP rising by 6.9%. This drop in the GNP growth rate was largely attributable to appreciation of the Won and to nationwide labor-management disputes which reduced the competitiveness of Korean products in international markets. In 1990 and 1991, GNP rebounded and grew at a rate of 9.6% and 9.1%, respectively, due in part to increased domestic demand. In 1992, GNP grew at a rate of 5.0%. This low growth rate of GNP in 1992 was affected by various factors, including the previous administration's policy of cooling down the overheated economy to ensure stable growth. In 1993, GNP grew at a rate of 5.6% based on preliminary figures published by the Bank of Korea.

The following table shows the composition of Korea's GNP at current market prices and GNP in constant 1990 market prices from 1989 to 1993. Also shown is the annual average increase in Korea's GNP.

GROSS NATIONAL PRODUCT

<TABLE>
<CAPTION>

	1989	1990	1991	1992	1993(1)	AS % OF GNP 1993

<S>	<C>	<C>	<C>	<C>	<C>	<C>
					(BILLIONS OF WON)	
Gross National Product at Current Market Prices:						
Private Consumption	W 79,424.0	W 96,387.7	W 115,042.8	W 129,735.2	W 143,743.3	54.5%
General Government Consumption	15,237.4	18,187.0	22,169.5	26,110.3	28,563.2	10.8
Gross Domestic Fixed Capital Formation	47,625.3	66,568.7	82,946.5	87,907.0	94,322.3	35.7
Increase in Stocks	2,538.7	(270.0)	973.0	35.2	(3,115.2)	(1.2)
Exports of Goods and Services	48,828.7	53,467.0	60,735.0	69,432.7	78,007.1	29.6
Less Imports of Goods and Services	(44,784.8)	(54,417.2)	(66,049.7)	(71,840.0)	(76,948.9)	(29.2)
Statistical Discrepancy	295.4	(384.3)	(82.6)	(988.2)	976.4	0.4
Expenditures on Gross Domestic Product	149,164.7	179,539.0	215,734.4	240,392.2	265,548.1	100.6
Net Factor Income from the Rest of the World	(1,223.1)	(1,276.9)	(1,494.5)	(1,687.6)	(1,687.2)	(0.6)
Total	W 147,941.6	W 178,262.1	W 214,239.9	W 238,704.6	W 263,860.9	100.0%
Percentage Increase of GNP over Previous Year:						
At Current Prices	12.6%	20.5%	20.2%	11.4%	10.5%	
At Constant 1990 Market Prices	6.9%	9.6%	9.1%	5.0%	5.6%	

- ---

(1) Preliminary.
Source: Monthly Bulletin, July 1994, The Bank of Korea.

From 1988 through 1993, real GNP increased at an average annual rate of 7.2%. This high rate of growth was due to rapid growth in the export of goods and services and in domestic fixed capital formation. The growth in the volume of exports has been achieved by diversification of geographical markets and a shift in emphasis in the composition of exports from agricultural products, raw materials and textile products to manufactured goods. In 1989 and 1990, as growth in exports slowed compared to prior periods, domestic construction expenditures and private consumption expenditures increased, primarily as a result of the steady increase in income levels in recent years and the concomitant demand for housing and consumption goods, particularly consumer durables such as passenger cars and household electric appliances. See "Foreign Trade and Balance of Payments -- Foreign Trade." The following table sets forth the industrial origin of Korea's GNP in current prices for the years 1989 to 1993.

GROSS NATIONAL PRODUCT BY INDUSTRIAL SECTOR

	1989	1990	1991	1992	1993(1)	AS % OF GNP 1993
<S>	<C>	<C>	<C>	<C>	<C>	<C>
			(BILLIONS OF WON)			
Primary Industries						
Agriculture, Forestry and Fisheries	W 14,380.6	W 15,592.4	W 16,549.8	W 17,805.8	W 18,785.0	7.1%
Secondary Industries						
Mining and Quarrying	992.0	1,025.0	1,142.4	928.5	923.3	0.3
Manufacturing	46,252.9	52,351.0	61,527.3	66,710.1	71,960.0	27.3
Construction	13,358.2	20,736.6	30,035.3	32,870.6	36,228.2	13.7
Tertiary Industries						
Electricity, Gas and Water	3,731.5	3,888.7	4,506.7	5,285.2	6,080.4	2.3
Transport, Storage and Communication	10,328.1	12,017.3	14,356.7	16,390.1	18,626.0	7.1
Wholesale and Retail Trade, Restaurants and Hotels	19,822.0	23,110.6	26,419.5	28,802.6	31,487.2	11.9
Financing, Insurance, Real Estate and Business Services	21,302.1	26,801.0	33,052.3	39,923.0	45,303.4	17.2
Public Administration and Defense	5,984.4	7,386.0	8,995.1	10,616.1	11,674.5	4.4
Community, Social and Personal Services	9,966.1	11,974.5	14,617.0	17,593.8	20,092.7	7.6
Net Private Household Services, Import Duties and Bank Service Charges	3,046.6	4,655.9	4,532.3	3,466.1	4,387.5	1.7
Net Factor Income from the Rest of the World	(1,223.1)	(1,276.9)	(1,494.5)	(1,687.6)	(1,687.2)	(0.6)
Total	W 147,941.6	W 178,262.1	W 214,239.9	W 238,704.6	W 263,860.9	100.0%

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(1) Preliminary.
Source: Monthly Bulletin, July 1994, The Bank of Korea.

PRICES, WAGES AND EMPLOYMENT

During the 1960s and early 1970s, Korea experienced a period of increasingly high inflation rates. Government measures successfully reduced inflation rates from 1982 to 1987; inflation, as measured by the Consumer Price Index, increased by an average of 2.8%. However, inflation, as measured by the Consumer Price Index, began to accelerate from 3.0% in 1987 to 7.1% in 1988, 5.7% in 1989, 8.6% in 1990 and 9.3% in 1991. Recently, the rate of inflation has decreased to 6.2% in 1992 and 4.8% in 1993.

The following table shows selected price and wage indices for the periods indicated:

<TABLE>
<CAPTION>

	PRODUCER PRICE INDEX(1)	INCREASE OVER PREVIOUS YEAR	CONSUMER PRICE INDEX(1)	INCREASE OVER PREVIOUS YEAR	WAGE INDEX(1)(2)	INCREASE OVER PREVIOUS YEAR	UNEMPLOYMENT RATE(1)(3)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
	(1990=100)	(%)	(1990=100)	(%)	(1985=100)	(%)	(%)
1989.....	96.0	1.5	92.1	5.7	166.7	21.2	2.6
1990.....	100.0	4.2	100.0	8.6	198.1	18.8	2.4
1991.....	104.7	4.7	109.3	9.3	232.7	17.5	2.3
1992.....	107.0	2.2	116.1	6.2	268.1	15.2	2.4
1993.....	108.6	1.5	121.7	4.8	300.7	12.2	2.8

</TABLE>

- ---------------
(1) Average for year.
(2) Nominal wages index of earnings in all industries.
(3) Expressed as a percentage of the economically active population.
Source: Monthly Bulletin, July 1994, The Bank of Korea; Report on Monthly Labor Survey, December 1993, The Ministry of Labor.

The history of the labor movement in Korea is short. Until the mid-1980s, the Korean labor movement had been constrained by labor laws and policies which limited the ability of workers and their unions to take collective action. In December 1986 and November 1987, these laws were amended, relaxing constraints on the formation of democratic unions and the staging of strikes. In 1988 and 1989, backed by stronger labor unions, the Korean work force won significant wage concessions as workers demanded higher pay to compensate for the large increases in productivity that they achieved in the 1980s. Labor disputes in Korea have decreased since 1990. Since 1987, wages have increased sharply. The rate of increase in the Wage Index in recent years has greatly exceeded the rates of increase in both the Producer Price Index and the Consumer Price Index. Monthly wages in all industries rose 21.2% in 1989, 18.8% in 1990, 17.5% in 1991, 15.2% in 1992 and 12.2% in 1993. These wage increases can be compared with increases in productivity of 7.5% in 1989, 12.7% in 1990, 13.3% in 1991, 10.2% in 1992 and 7.8% in 1993. These wage increases put increased inflationary pressure on the economy, resulting in an increase of 8.6% in consumer prices in 1990, 9.3% in 1991, 6.2% in 1992 and 4.8% in 1993.

Korea's labor force is one of the economy's principal assets. In the period from 1988 to 1993, the economically active population of Korea increased by 16.7% to 19.8 million, while the number of employees increased 17.2% to 19.2 million. The economically active population over 15 years old as a percentage of the total population over 15 years old has remained fairly stable at between 58% and 61% over the past decade. The labor force is well educated, with literacy being almost universal among workers under 50.

INDUSTRY

Industrial production increased by 3.3% in 1989, 8.8% in 1990, 9.6% in 1991, 5.8% in 1992 and 4.4% in 1993. Because of the importance of exports to Korean industry, increases in protectionist trade barriers by countries to which Korean industry exports products would adversely affect industrial production. See "Foreign Trade and Balance of Payments -- Foreign Trade."

The following table sets forth production indices for the principal industrial products of Korea for the years 1989-1993 and their relative contribution to total industrial production:

INDUSTRIAL PRODUCTION

<TABLE>

<CAPTION>

	1990 INDEX WEIGHT(1)	1989	1990	1991	1992	1993
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Mining	184.5	109.7	100.0	99.8	85.9	79.9
Coal	95.8	116.2	100.0	84.4	66.6	51.6
Metal ores	4.9	117.2	100.0	94.8	95.8	69.3
Other mining & quarrying	83.8	97.4	100.0	117.6	107.3	112.9
Manufacturing	9,392.9	91.8	100.0	109.7	116.2	121.1
Food products & beverages	709.9	94.3	100.0	108.4	110.9	112.7
Tobacco products	93.2	94.2	100.0	101.1	104.7	107.2
Textiles	633.1	100.8	100.0	98.1	94.6	86.5
Wearing apparel & fur articles	343.3	103.5	100.0	95.1	86.5	73.3
Leather, luggage, saddlery harness, handbags & footwear	385.7	93.2	100.0	93.4	86.5	66.0
Wood & products of wood & cork	104.5	96.2	100.0	108.2	103.6	85.6
Pulp, paper & paper products	227.7	94.9	100.0	103.9	110.5	119.5
Publishing, printing & reproduction of record media	223.4	92.2	100.0	103.1	114.6	110.6
Coke, refined petroleum products & nuclear fuel	379.8	93.6	100.0	128.8	164.0	179.4
Chemicals & chemical products	826.5	86.6	100.0	116.3	138.1	152.3
Rubber & plastic products	449.4	96.4	100.0	108.3	114.8	119.9
Non-metallic mineral products	504.1	93.2	100.0	116.0	123.6	124.7
Basic metals	555.3	89.4	100.0	110.8	115.9	129.0
Fabricated metal products	416.6	92.7	100.0	108.1	103.2	102.4
Machinery & equipment, n.e.c	916.2	89.7	100.0	110.7	107.6	114.4
Office, accounting & computing machinery	150.5	89.6	100.0	104.9	112.3	139.9
Electrical machinery & apparatus, n.e.c	276.6	83.4	100.0	108.1	115.6	121.4
Radio, television & communication equipment	768.1	92.2	100.0	115.4	125.4	136.3
Medical precision & optical instruments, watches	118.9	104.0	100.0	105.8	106.1	118.0
Motor vehicles & trailers	814.0	80.8	100.0	115.4	131.4	153.2
Other transport equipment	205.6	89.7	100.0	118.0	147.3	136.3
Furniture & n.e.c	290.5	102.2	100.0	101.6	94.5	87.7

</TABLE>

<TABLE>
<CAPTION>

	1990 INDEX WEIGHT(1)	1989	1990	1991	1992	1993
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Electricity & Gas	422.6	87.8	100.0	111.3	124.4	139.2
Electricity	410.8	87.8	100.0	110.4	121.6	134.2
Gas	11.8	--	100.0	152.2	219.6	315.3
All Items	10,000.0	91.9	100.0	109.6	116.6	121.1
Percentage Increase of All Items Over Previous Year	--	3.3%	8.8%	9.6%	5.8%	4.4%

</TABLE>

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(1) Index weights were established on the basis of an industrial census in 1990 and reflect the average annual value added by production in each of the classifications shown, expressed as a percentage of total value added in the mining, manufacturing and electricity and gas industries in that year.

Source: Monthly Statistics of Korea, June 1994, National Statistical Office, Monthly Bulletin, July 1994, The Bank of Korea.

Manufacturing. The manufacturing sector has grown rapidly in recent years. In 1992 and 1993, however, the production of manufactured goods increased only 5.9% and 4.2%, respectively, compared with 9.7% in 1991, as a result of overall slow economic growth. Production activities, especially in the light industries, were not brisk due to reduced price competitiveness in world markets. The heavy chemical industry, which had shown steady growth including in export markets, increased only 9.2% in 1992 and 8.4% in 1993, compared with 13.7% in 1991.

Performance has been particularly strong in the petrochemical, semiconductor and automobile industries, which have experienced strong growth in domestic and overseas markets.

The petrochemical industry in 1992 remained strong. Production grew by 35.7% over the previous year, as petrochemical facilities completed in 1991 became fully operational in 1992. Domestic demand increased 11.5% in 1992, compared with a 5.8% increase in 1991, because of substantial growth in the automobile and electronics industries. Exports in 1992 grew 95.7% with a surge in demand from China attributable to the progressing industrialization of that country. In 1993 the production of the petrochemical industry grew by 11.4%.

The electronics industry grew at an average annual rate of approximately 12.0% during the period 1987 to 1992. This growth may be traced to both domestic and overseas demand, as well as to encouragement by the Korean government of technology through tax incentives, loans at favorable interest rates and tariff protection. Korea is among the world's largest producers of electronic products

and semiconductors. The electronics goods produced in Korea include personal computers, videocassette recorders and compact disc players.

Semiconductor sales grew 30.4% from 1991 to 1992. Semiconductor exports increased 20.2% from 1991 to 1992. Both domestic and overseas demand grew with the recovery of the computer and communications industries in the United States and with the growth of the computer and consumer electronics industries in Southeast Asian countries.

The Korean automobile industry made significant progress in the 1980s. In 1984, Hyundai Motor, Korea's leading car manufacturer, began exporting cars to Canada and in 1986 shipped its first cars to the United States. Daewoo Motors began exporting cars to the United States in 1987, and Kia Motors began exporting cars to the United States in 1988. Recently, exports to Europe and Asia have become increasingly important as United States demand for Korean cars has declined. Automobile manufacturers grew by 18.6% from 1,730,000 cars in 1992 to 2,051,000 cars in 1993. This growth reflects increasing domestic demand, sales stimulated by the introduction of new models, and the diversification of exports markets. Export growth, which faltered in 1989 and 1990, has since shown gradual recovery.

The textiles and apparel industry, which grew rapidly in the early 1970s, has grown more slowly in recent years as a result of severe worldwide price competition and increased trade barriers.

Supported by large increases in domestic demand for steel due to the growth of other heavy industry and large scale public investment in road, harbor and housing construction, steel production increased from 16.8 million tons in 1987 to approximately 33.8 million tons in 1993. This growth has been achieved in large part by the expansion of POSCO integrated facilities, which in 1993 produced approximately 22.5 million tons of crude steel. These increases in production have permitted a substantial increase in iron and steel exports.

The shipbuilding industry is an important aspect of the Korean economy. Korea's share of world shipbuilding production is second only to Japan's.

Construction. The construction industry has become one of the major industries in Korea, contributing 13.7% to Korea's GNP in 1993. Recently, the domestic construction markets have expanded rapidly with orders rising, from W 32,870.6 billion in 1992 to W 36,228.2 billion in 1993. In 1993, the amount of new overseas construction orders under contract reached U.S.$5,117 million.

AGRICULTURE, FORESTRY AND FISHERIES

The contribution of agriculture, forestry and fisheries to Korea's GNP has declined from 9.7% in 1989 to 7.1% in 1993 as a result of industrialization.

The Government's agricultural policy continues to emphasize increasing food grain production, the development of irrigation systems, land consolidation and reclamation, seed improvement, mechanization measures to combat drought and flood damage, and increasing agricultural incomes. The Government has encouraged the development of the fishing industry by encouraging the building of large fishing vessels, and the modernization of fishing equipment, marketing techniques and distribution outlets.

Owing to geographical and physical constraints, crop yields are limited, thereby necessitating dependence on imports for certain basic foodstuffs.

ENERGY

<TABLE>
Korea has no domestic oil or gas production and is heavily dependent on imported oil to meet its energy requirements. The performance of the Korean economy is, therefore, broadly affected by the price of oil, resulting in high inflation when world oil prices have risen sharply. Any significant long-term increase in the price of oil may increase inflationary pressures on the Korean economy and adversely affect Korea's balance of trade. See "Foreign Trade and Balance of Payments -- Foreign Trade." The following table shows Korea's dependence on imports for energy consumption for the years 1989 to 1993:

DEPENDENCE ON IMPORTS FOR ENERGY CONSUMPTION

<CAPTION>

	TOTAL ENERGY CONSUMPTION	IMPORTS	IMPORT DEPENDENCE RATIO
	(MILLION TONS OF OIL EQUIVALENTS)		
<S>	<C>	<C>	<C>
1989	81.7	69.8	85.5%
1990	93.2	81.9	87.9%

1991	103.6	94.6	91.3%
1992	116.0	108.5	94.8%
1993	126.6	119.8	94.6%

<FN>
- ---------------
Source: Monthly Energy Statistics, May 1994, Korea Energy Economics Institute;
Major Statistics of the Korean Economy, 1994, National Statistical Office.
</TABLE>

To reduce its dependence on oil imports, the Government has encouraged efforts to implement an energy source diversification program, with primary emphasis on nuclear energy. The total Korean nuclear power generating capacity at the end of 1992 was 7,616 megawatts, accounting for 31.6% of total annual power generation. Under the government's program, 18 nuclear power plants are scheduled to be completed during the period from 1991 to 2006. Growing public resistance against nuclear power, however, has become a major obstacle to accomplishing this program. The following table sets out the primary sources of energy consumed

<TABLE>
in Korea, expressed in oil equivalents and as a percentage of total energy consumption, for the period 1989 to 1993:

CONSUMPTION OF ENERGY BY SOURCE

<CAPTION>

	COAL		PETROLEUM		NUCLEAR		OTHER		TOTAL	
	QUANTITY	%	QUANTITY	%	QUANTITY	%	QUANTITY	%	QUANTITY	%
	(MILLION TONS OF OIL EQUIVALENTS)									
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1989	24.5	30.0	40.5	49.6	11.8	14.4	4.9	6.0	81.7	100.0
1990	24.4	26.2	50.2	53.9	13.2	14.2	5.4	5.8	93.2	100.0
1991	24.5	23.7	59.6	57.5	14.1	13.6	5.4	5.2	103.6	100.0
1992	23.6	20.4	71.7	61.8	14.1	12.2	6.5	5.6	116.0	100.0
1993	25.4	20.1	78.5	62.0	14.5	11.5	8.1	6.4	126.5	100.0

<FN>
- ---------------
Source: Monthly Energy Statistics, May 1994, Korea Energy Economics Institute;
Major Statistics of the Korean Economy, 1994, National Statistical Office.
</TABLE>

THE FINANCIAL SECTOR

Korea's financial sector has grown to accommodate the development of the economy and today comprises a banking system, a range of non-banking financial institutions and a securities market.

Korean financial institutions may be divided into two main categories: monetary institutions and other financial institutions. Monetary institutions are comprised of The Bank of Korea and deposit-taking banks. Deposit-taking banks are in turn divided into commercial banks and special banks according to their legal status and the banking businesses in which they may engage. Other financial institutions consist of development institutions, life insurance companies and investment companies.

Commercial banks are classified into city banks, regional banks and foreign bank branches. City banks engage in both domestic and foreign business and are owned by the private sector. Regional banks perform similar functions to the city banks.

Korea's commercial banks have a high level of non-performing assets, reflecting in part the high leverage typical of Korean companies and the decline in several Korean industries, notably shipping and overseas construction during the 1980s. The Bank of Korea selectively extends concessional loans to commercial banks burdened by such non-performing loans.

Specialized banks are established by statutes and currently include: Industrial Bank of Korea, The Citizens National Bank, The Korea Housing Bank, National Agricultural Cooperative Federation, The National Federation of Fisheries Cooperatives and National Livestock Cooperative Federation.

Other financial institutions are divided into development institutions, investment institutions, savings institutions and insurance institutions. Development institutions include The Korea Development Bank, The Export-Import Bank of Korea and the Korea Long Term Credit Bank. There are 24 investment and finance companies and six joint-venture merchant banks. The financial sector also includes a number of domestic and foreign insurance companies and mutual savings companies.

In June 1993, the Korean government announced a plan for restructuring and

liberalizing the financial services industry. The plan includes accelerating a 1991 plan for deregulation of interest rates, changing the measures of monetary control, liberalization of loans by banks, development and liberalization of short-term financing markets, internationalization of the Won and reducing restrictions on foreign currency transactions. The plan also includes opening capital markets and financial industry liberalization programs. The financial industry will be restructured through specialization as well as adjustments in the business scope of financial service firms.

In August 1993, the Government introduced a real-name financial transactions system. Financial institutions are now required to confirm, whenever they enter into financial transactions with their clients, that those clients are using their real names. The system was introduced to increase transparency in financial

transactions and is expected by the Government to enhance the integrity and efficiency of the Korean financial markets. See "The Securities Markets of Korea - -- Recent Market and Economic Developments."

MONETARY POLICY

Established in 1950, The Bank of Korea is the central bank and the sole currency issuing bank in Korea. Monetary and credit policies of The Bank of Korea are formulated and controlled by a nine-member Monetary Board comprised of the Minister of Finance, the Governor of The Bank of Korea and seven other members. The Monetary Board regulates the activities of banking institutions and sets and implements monetary policy. The Monetary Board determines maximum interest rates and the rediscount rate of The Bank of Korea. It also fixes reserve ratios and exercises other normal methods of monetary control as well as regulating the activities of banking institutions.

Although The Bank of Korea has primary responsibility for monetary policy in Korea, the Government, through the Ministry of Finance, does exert considerable influence on monetary policy. For example, the Ministry of Finance has the power to request the reconsideration of resolutions adopted by the Monetary Board and, if such a request is rejected by the Monetary Board, the President has the authority to override the Monetary Board's decision.

Monetary policy is implemented by influencing the reserve positions of banking institutions, principally through changes in the terms and conditions of discounts, open market operations and changes in reserve requirements. The Bank of Korea also sets interest rates on certain types of deposits and loans and, in periods of extreme monetary expansion, may directly control the volume and nature of bank credit. In practice, The Bank of Korea's power to set interest rates and to impose direct credit controls have proved to be the most effective means of implementing monetary policy.

In December 1988, the Government deregulated interest rates on loans (other than loans entailing government subsidies) and certain types of deposits (including such money market instruments as certain types of commercial paper, certificates of deposit, bank debentures, corporate bonds, cash management accounts and development trust funds, but excluding traditional time deposits and savings deposits).

In August 1991, the Monetary Board adopted a four-stage interest rate deregulation plan in furtherance of the deregulation process. Pursuant to such plan, the Government has recently further deregulated interest rates on other financial products, including certain time deposits. In addition, The Bank of Korea has indicated that it will rely increasingly on adjustments in the discount rate and in reserve requirements to implement monetary policy, and less frequently on direct restrictions on bank credit policies. In June 1993, the Korean government announced that by the end of 1993 it would lift all restrictions on interest rates for loans, long-term (not less than two years) deposits, short-term (less than two years) corporate and financial debts, monetary stabilization bonds and public bonds. It also announced that during 1994 to 1996, interest rates will be liberalized for all deposits other than demand deposits, and that in 1997 limitations on interest rates for demand deposits gradually will be lifted. The Korean government has also taken steps to encourage Korean companies to replace debt with equity financing. See "The Securities Markets of Korea -- Recent Market and Economic Developments."

MONEY SUPPLY

From 1983 to 1984, the Korean government, in an effort to consolidate a foundation for price stability, maintained a tight control of monetary aggregates. However, as economic growth slowed in 1985, the government reversed its tight monetary policy and money supply increased 15.6% in 1985. In response to greatly expanded economic activity, the money supply increased at a rate of 18.4% in 1986, 19.1% in 1987, 21.5% in 1988, 19.8% in 1989, 17.2% in 1990, 21.9% in 1991, 14.9% in 1992 and 16.6% in 1993.

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<TABLE>
The following table shows the money supply for the period 1989 to 1993:

MONEY SUPPLY

<CAPTION>

	DECEMBER 31,				
	1989	1990	1991	1992	1993
	(BILLIONS OF WON)				
<S>	<C>	<C>	<C>	<C>	<C>
Money Supply (M1).....	W 14,329.0	W 15,905.3	W 21,752.4	W 24,586.3	W 29,041.4
Quasi-money(1).....	44,309.0	52,802.2	61,993.5	71,672.3	83,177.8
Money Supply (M2)(2).....	W 58,638.0	W 68,707.5	W 83,745.9	W 96,258.6	W 112,219.2
Percentage Increase Over Previous Year.....	19.8%	17.2%	21.9%	14.9%	16.6%

<FN>
- ---------------
(1) Comprising time and savings deposits and residents' foreign currency deposits at monetary institutions.
(2) Money supply is the sum of currency in circulation, demand deposits and quasi-money.
Source: Monthly Bulletin, July 1994, The Bank of Korea; Major Statistics of the Korean Economy, June 1994, National Statistical Office.
</TABLE>

FOREIGN TRADE AND BALANCE OF PAYMENTS

FOREIGN TRADE

Foreign trade is vital to the economy of Korea, which lacks natural resources and must rely on extensive trading activity as a base for growth. Virtually all domestic requirements for petroleum, wood and rubber are imported, as are much of Korea's requirements for coal and iron ore. Korea has a very high ratio of exports as a percentage of GNP, and the international economic environment is accordingly of crucial importance to Korea's economy. From 1989 to 1993, export growth averaged 6.3%. In 1991, 1992 and 1993 export growth was 10.5%, 6.6% and 7.3%, respectively. Such growth levels reflect reduced international competitiveness resulting primarily from the continuation of the relatively high value of the Won, domestic wage increases, increased foreign competition, and economic slowdowns in countries constituting Korea's principal export markets.

Korea's trade balance has been highly sensitive to world crude oil prices. The country's trade deficit reached U.S.$4.4 billion in 1979, the year of the second large oil price rise of that decade. After that year, Korea's balance of trade improved. In 1986, Korea recorded the first substantial trade surplus, U.S.$4.2 billion, in the nation's history. The trade surplus nearly doubled to U.S.$7.7 billion in 1987 and increased to U.S.$11.5 billion in 1988. In 1989, the trade surplus declined to U.S.$4.6 billion, due principally to the decline in export growth. In 1990, 1991 and 1992, Korea recorded trade deficits of U.S.$2.0 billion, U.S.$7.0 billion and U.S.$2.1 billion, respectively. The balance of trade in 1990, 1991 and 1992 has been adversely affected by increases in oil prices that occurred in late 1990 as a result of the Persian Gulf crisis, by increased imports of machinery and other capital goods and consumer goods, by the economic recession in countries constituting important markets for Korean exports, principally the United States, and by increased competition for Korea's exports in certain markets, principally exports to Japan from other Asian countries. The balance of trade could continue to be adversely affected if, among other things, Korea's trading partners increase barriers against imports, prices for essential natural resources imported by Korea increased or the economic slowdown continues in countries constituting important markets for Korean exports. However, Korea recorded a trade surplus of U.S.$1.9 billion in 1993.

Korea's largest trading partners are the United States and Japan. In 1993, the United States accounted for approximately 22.1% of Korea's total exports and approximately 21.4% of Korea's total imports, while Japan accounted for approximately 14.1% of Korea's total exports and approximately 23.9% of Korea's total imports. No other trading partner accounted for over 8.0% of Korea's total exports or total imports. Over 85% of Korea's exports are manufactured goods, machinery and transportation equipment, whereas the bulk of imports are commodities such as oil and iron ore, although imports of consumer durables have grown in recent years following the lowering of customs tariffs on many items as part of a five-year import liberalization program begun in 1984. From 1979 until the recent Gulf War, world oil and commodity prices had risen more slowly than inflation rates, and several of Korea's major imports (including oil, iron ore and coal) experienced price weakness.

<TABLE>

The following tables contain information regarding Korea's exports and imports by major commodity groups for the years 1989 to 1993, and the geographic distribution of Korea's foreign trade for each of the years 1989 through 1993.

EXPORTS BY MAJOR COMMODITY GROUPS (F.O.B.)(1)

<CAPTION>

	1989	AS % OF TOTAL	1990	AS % OF TOTAL	1991	AS % OF TOTAL	1992	AS % OF TOTAL	1993	AS % OF TOTAL
	(MILLIONS OF U.S. DOLLARS)									
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Crude Materials....	$ 902.0	1.4%	$ 990.6	1.5%	$ 989.1	1.4%	$ 1,072.6	1.4%	$ 1,160.0	1.4%
Minerals (including Fuels).....	686.6	1.1	697.2	1.1	1,508.6	2.1	1,742.3	2.3	1,851.7	2.3
Chemicals	2,049.7	3.3	2,511.3	3.9	3,190.0	4.4	4,454.9	5.8	4,921.9	6.0
Manufactured Goods.....	13,733.9	22.0	14,357.2	22.1	16,078.7	22.4	18,490.8	24.1	20,685.6	25.2
Machinery and Transportation Equipment.....	23,590.3	37.8	25,544.5	39.3	29,978.3	41.7	32,547.4	42.4	36,950.4	44.9
Miscellaneous Manufactured Goods.....	18,970.3	30.4	18,573.3	28.6	17,649.6	24.6	15,883.2	20.7	14,233.3	17.3
Others.....	2,444.4	3.9	2,341.63	3.6	2,475.8	3.4	2,440.2	3.2	2,433.0	3.0
Total.....	$62,377.2	100.0%	$65,015.7	100.0%	$71,870.1	100.0%	$76,631.5	100.0%	$82,235.9	100.0%

<FN>

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(1) These entries are derived from customs clearance statistics.

Source: Monthly Bulletin, July 1994, The Bank of Korea; Economic Statistics Yearbook, 1994, The Bank of Korea.

</TABLE>

<TABLE>

IMPORTS BY MAJOR COMMODITY GROUPS (C.I.F.)(1)

<CAPTION>

	1989	AS % OF TOTAL	1990	AS % OF TOTAL	1991	AS % OF TOTAL	1992	AS % OF TOTAL	1993	AS % OF TOTAL
	(MILLIONS OF U.S. DOLLARS)									
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Crude Materials....	$ 8,728.2	14.2%	$ 8,647.8	12.4%	$ 8,900.2	10.9%	$ 8,314.9	10.2%	$8,869.5	10.6%
Minerals (including Fuels).....	7,627.1	12.4	11,023.2	15.8	12,747.9	15.6	14,636.1	17.9	15,052.6	18.0
Chemicals.....	7,157.7	11.6	7,433.5	10.6	8,288.6	10.2	7,667.6	9.4	8,234.8	9.8
Manufactured Goods.....	9,672.2	15.7	10,580.8	15.1	13,461.7	16.5	11,898.4	14.5	12,069.7	14.4
Machinery and Transportation Equipment.....	21,104.8	34.3	23,940.0	34.3	28,250.7	34.6	28,965.7	35.4	28,416.8	33.9
Miscellaneous Manufactured Goods.....	3,555.0	5.8	4,241.6	6.1	5,102.9	6.3	5,227.4	6.4	6,147.8	7.3
Others.....	3,610.2	5.9	3,976.8	5.7	4,772.9	5.9	5,065.2	6.2	5,009.1	6.0
Total.....	$61,464.8	100.0%	$69,843.7	100.0%	$81,524.9	100.0%	$81,775.3	100.0%	$83,800.1	100.0%

<FN>

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(1) These entries are derived from customs clearance statistics.

Source:Monthly Bulletin, July 1994, The Bank of Korea; Economic Statistics Yearbook, 1994, The Bank of Korea.

</TABLE>

<TABLE>

EXPORTS

<CAPTION>

COUNTRY	1988	1989	1990	1991	1992	1993
	(PERCENTAGE OF TOTAL EXPORTS)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
U.S.A.....	35.3	33.1	29.8	25.8	23.6	22.0
Canada.....	2.8	3.0	2.7	2.4	2.1	1.7
United Kingdom.....	3.2	3.0	2.7	2.5	2.4	2.0
France.....	1.8	1.4	1.7	1.6	1.3	1.1
Germany.....	3.9	3.4	4.4	4.4	3.8	4.4
Netherlands.....	1.4	1.2	1.5	1.6	1.3	1.2
Japan.....	19.8	21.6	19.4	17.2	15.1	14.1
Hong Kong.....	5.9	5.4	5.8	6.6	7.7	7.8
Saudi Arabia.....	1.9	1.3	1.1	1.4	1.2	1.2
All Others.....	24.0	26.6	30.9	36.6	41.5	44.5

Total(1).....	100.0	100.0	100.0	100.0	100.0	100.0

</TABLE>

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<TABLE>

IMPORTS

<CAPTION>

COUNTRY	1988	1989	1990	1991	1992	1993
	(PERCENTAGE OF TOTAL IMPORTS)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
U.S.A.....	24.6	25.9	24.3	23.2	22.4	21.4
Canada.....	2.3	2.7	2.1	2.3	1.9	2.0
United Kingdom.....	1.8	1.5	1.8	1.9	1.7	1.7
France.....	2.2	1.4	1.8	1.9	1.9	2.0
Germany.....	4.0	4.3	4.7	4.5	4.6	4.7
Netherlands.....	1.0	0.6	0.7	0.7	0.8	0.9
Japan.....	30.7	28.4	26.6	25.9	23.8	23.9
Hong Kong.....	1.1	1.0	0.9	0.9	1.0	1.1
Saudi Arabia.....	1.6	1.7	2.5	4.0	4.6	4.5
All Others.....	30.7	32.5	34.8	34.7	37.3	37.8
Total(1).....	100.0	100.0	100.0	100.0	100.0	100.0

<FN>

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(1) Amounts may not add up due to rounding.

Source: Monthly Bulletin, July 1994, The Bank of Korea; Economic Statistics Yearbook, 1994, The Bank of Korea.

</TABLE>

Following export surges in 1986, 1987 and the beginning of 1988, the export growth rate began to decline under the influence of the "triple demerits" of an appreciating Won, rising costs of raw materials and rising wages. To offset these adverse trends, domestic enterprises have invested more in factory automation, thereby accelerating the movement away from low value-added, labor-intensive production. Efforts have also been made to diversify export markets.

<TABLE>

The following table summarizes Korea's balance of trade from 1989 to 1993:

BALANCE OF TRADE

<CAPTION>

	EXPORTS(1)	IMPORTS(1)	BALANCE OF TRADE	EXPORTS AS % OF IMPORTS
	(MILLIONS OF U.S. DOLLARS)			
<S>	<C>	<C>	<C>	<C>
1989.....	61,408.7	56,811.5	4,597.2	109.1
1990.....	63,123.6	65,127.2	(2,003.6)	96.9
1991.....	69,581.5	76,561.3	(6,979.8)	90.9
1992.....	75,169.4	77,315.8	(2,146.4)	97.2
1993.....	80,949.9	79,089.7	1,860.2	102.4
Average Annual Percentage Growth Rate 1989-1993.....	6.3%	10.7%		

<FN>

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(1) These entries are derived from trade statistics and are valued on a f.o.b. basis.

Source: Economic Statistics Yearbook, 1994, The Bank of Korea.

</TABLE>

BALANCE OF PAYMENTS

From 1986 to 1989, Korea had a surplus on the current account of its balance of payments. The surplus increased to U.S.$14.2 billion in 1988 before declining to U.S.$5.1 billion in 1989. Korea incurred a deficit on the current account of its balance of payments of U.S.$2.2 billion during 1990, with deficits in the visible and invisible trade balances. In 1990, exports increased by 2.8% to U.S.$63.1 billion. During the same period imports increased 14.6% to U.S.$65.1 billion. The invisible trade balance decreased from a U.S.$0.2 billion surplus in 1989 to a deficit of U.S.$0.5 billion in 1990. The deficit on the current account of its balance of payments increased to U.S.$8.7 billion in 1991, U.S.$4.5 billion in 1992. The current account recorded a U.S.$0.4 billion surplus in 1993, but is expected to record a deficit in 1994.

<TABLE>

The following table sets forth certain information with respect to Korea's balance of payments for the years 1989 to 1993:

BALANCE OF PAYMENTS

<CAPTION>

CLASSIFICATION	1989	1990	1991	1992	1993
<S>	<C>	<C>	<C>	<C>	<C>
Current Balance	5,054.6	(2,179.4)	(8,727.7)	(4,528.5)	384.6
Trade Balance	4,597.2	(2,003.6)	(6,979.8)	(2,146.4)	1,860.2
Exports(1)	61,408.7	63,123.6	69,581.5	75,169.4	80,949.9
Imports(1)	56,811.5	65,127.2	76,561.3	77,315.8	79,089.7
Invisible Trade Balance	210.8	(450.6)	(1,595.5)	(2,614.3)	(1,966.8)
Unrequited Transfer (Net)	246.6	274.8	(152.4)	232.2	491.2
Long-Term Capital Balance(2)	(3,362.5)	547.5	4,185.8	7,232.7	8,899.8
Loans and Foreign Investment	(1,104.8)	33.3	3,091.2	5,160.3	8,707.4
Other (Net)	(2,257.7)	514.2	1,094.6	2,072.4	(676.9)
Basic Balance	1,692.1	(1,631.9)	(4,541.9)	2,704.2	9,284.4
Short-term Capital Balance(2)	60.3	3,333.7	41.2	1,109.9	(2,021.2)
Errors and Omissions	700.7	(1,975.7)	759.9	1,084.0	(721.0)
Overall Balance	2,453.1	(273.9)	(3,740.8)	4,898.1	6,542.2
Financial Account(3)	(2,453.1)	273.9	3,740.8	(4,898.1)	(6,542.2)
Liabilities	966.3	1,486.6	8,429.8	1,947.4	673.7
Assets	(3,419.4)	(1,212.7)	(4,689.0)	(6,845.5)	(7,215.9)

<FN>

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(1) These entries are derived from trade statistics and are valued on a f.o.b. basis.

(2) The distinction between long-term and short-term capital is based on an original maturity of one year or more.

(3) Includes borrowings from the International Monetary Fund, syndicated bank loans and short-term borrowings.

Source: Economic Statistics Yearbook, 1994, The Bank of Korea.

</TABLE>

<TABLE>

The following table shows Korea's total official reserves as of December 31 for the years 1989 to 1993:

TOTAL OFFICIAL RESERVES

<CAPTION>

	1989	1990	1991	1992	1993
	(MILLIONS OF U.S. DOLLARS)				
<S>	<C>	<C>	<C>	<C>	<C>
Gold(1)	$ 31.6	$ 31.6	$ 32.3	$ 32.6	$ 33.3
Foreign Exchange(2)	14,977.8	14,459.1	13,306.0	16,639.9	19,704.2
Total Gold and Foreign Exchange	15,009.4	14,490.7	13,338.3	16,672.5	19,737.5
Reserve Position at IMF	234.2	317.3	364.9	439.3	466.7
Special Drawings Rights	1.6	14.3	29.8	42.1	58.2
Total Official Reserves	$15,245.2	$14,822.4	$13,733.0	$17,153.9	$20,262.4

<FN>

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(1) For this purpose, domestically-owned gold is valued at U.S.$42.22 per troy ounce (31.1035 grams) and gold deposited overseas is calculated at cost of purchase.

(2) Since January 1, 1988, foreign exchange holdings of domestic foreign exchange banks have been excluded.

Source: Monthly Bulletin, July 1994, The Bank of Korea.

</TABLE>

EXCHANGE CONTROLS

Only authorized foreign exchange banks are permitted to effect foreign exchange transactions. Approval by the Ministry of Finance is required to become an authorized foreign exchange bank. Authorized foreign exchange banks can enter into foreign exchange transaction contracts directly with overseas banks.

Authorization or approval, either by the Ministry of Finance, The Bank of Korea or authorized foreign exchange banks, as applicable, is necessary for overseas remittances, the issuance of international bonds and certain other instruments, overseas investments and certain other transactions involving foreign exchange payments in conformity with the Foreign Exchange Management Law and Regulations thereunder unless such authorization or approval is exempted under such regulations. Remittance of principal and profits to their home countries by overseas investors is guaranteed under the Foreign Capital Inducement Act.

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FOREIGN EXCHANGE

The Bank of Korea, prior to 1989, set daily exchange rates for the Won based on a trade-weighted multi-currency basket system. This rate was known as The Bank of Korea concentration base rate. In 1989, the Korean government announced a three phase plan to produce a free-floating exchange rate system. The first phase allowed the domestic banks to decide buying and selling rates of foreign exchange within narrow limits of The Bank of Korea concentration base rate. In the second phase, which took effect in March 1990, the trade-weighted multi-currency basket system was replaced by a system whereby the foreign exchange rates are determined by averaging the previous day's inter-bank rates settled through the Korean Financial Telecommunications and Clearings Institute ("KFTCI"), weighted by trading volume. This system is known as the Market Average Exchange Rate System. Under this system, foreign exchange rates are permitted to move each day within narrow ranges on either side of that day's published market average exchange rates announced by the KFTCI. In the third phase, the Government intends to gradually enlarge the ranges through 1996 and to remove controls on exchange rates by 1997.

<TABLE>
The following table shows the exchange rate between the Won and the U.S. Dollar (in Won per U.S. Dollar) at the dates indicated:

EXCHANGE RATE

<CAPTION>

	WON/U.S. DOLLAR EXCHANGE RATE(1)
<S>	<C>
December 31, 1990	716.40
June 30, 1991	723.10
December 31, 1991	760.80
June 30, 1992	790.20
December 31, 1992	788.40
June 30, 1993	803.70
December 31, 1993	808.10
January 31, 1994	808.10
February 28, 1994	808.00
March 31, 1994	806.50
April 30, 1994	807.50
May 31, 1994	806.10
June 30, 1994	805.50
July 31, 1994	802.60
August 31, 1994	801.10

<FN>
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(1) For all dates prior to March 31, 1990, exchange rates are The Bank of Korea concentration base rates on such dates. Exchange rates for subsequent dates are the market average exchange rates on such dates, as announced by the Korea Financial Telecommunications and Clearings Institute.
Source: Monthly Bulletin, July 1994, The Bank of Korea.
</TABLE>

The market average exchange rate between the Won and the U.S. Dollar as of a recent date is set forth on the inside cover page of this Prospectus.

GOVERNMENT FINANCE

Responsibility for the preparation of the national budget lies with the Economic Planning Board, and the administration of the Government's finances is the responsibility of the Ministry of Finance. The fiscal year commences on January 1, and the budget must be submitted to the National Assembly for its approval not later than 90 days prior to the commencement of the fiscal year. Supplementary budgets revising the original budget may be submitted to the National Assembly for its approval at any time during the fiscal year.

The fiscal budget of the Government consists of a General Account and Special Accounts. Revenues in the General Account include national taxes, stamp duties and profits from government monopolies. Expenditures include those for general administration, national defense, community service, education, health,

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social security services, certain annuities and pensions and local finance which comprises the transfer of tax revenues to local governments.

Special Accounts are set up to segregate the accounts of certain functions of the Government to achieve more effective budgetary control and administration. They include government activities of a business nature, such as economic development, roads, monopolies, railways and communications and administration of loans received from official international financial organizations and from foreign governments.

<TABLE>
The following table sets forth Government revenues and expenditures for the years 1989 through 1993:

CONSOLIDATED CENTRAL GOVERNMENT REVENUES AND EXPENDITURES

<CAPTION>

	1989	1990	1991	1992	1993(1)
			(BILLIONS OF WON)		
<S>	<C>	<C>	<C>	<C>	<C>
Revenues					
Internal Taxes	W 15,211.0	W 19,134.2	W 24,029.8	W 30,099.1	W 34,178.2
Customs Duties	2,099.1	2,774.5	3,435.3	3,153.4	2,885.9
Defense Surtax	3,614.7	4,575.1	1,462.5	329.7	269.1
Education Surtax	423.4	521.3	816.0	943.2	998.3
Monopoly Profits	74.6	--	--	--	--
Government Enterprises Receipts (Net)	408.3	590.5	810.2	1,042.2	902.3
Others	7,016.8	6,942.7	8,774.7	10,699.1	13,893.6
Total Revenues	28,847.9	34,538.3	39,328.5	46,266.6	53,127.9
Expenditures					
Defense	6,147.4	6,854.0	8,012.0	8,770.8	9,308.1
General Expenses	14,703.7	18,973.0	22,319.5	23,682.6	26,951.1
Fixed Capital Formation	2,032.5	2,401.0	2,048.8	2,821.4	2,889.1
Others	5,483.5	5,609.0	8,616.6	11,685.6	13,721.3
Total Expenditures	28,367.1	33,836.9	40,996.8	46,960.4	52,869.7
Net Lending	37.0	(53.6)	38.4	(5.3)	23.3
Budget Surplus (Deficit)	W 443.8	W 754.9	W (1,706.7)	W (688.5)	W 234.9

<FN>
- ---------------
(1) Preliminary.
Source: Monthly Bulletin, July 1994, The Bank of Korea.
</TABLE>

The decrease in Defense Surtax Revenues after 1991, as compared to prior years, is primarily attributable to the repeal of Korea's defense tax effective January 1, 1991.

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THE SECURITIES MARKETS OF KOREA

The information set forth herein has been extracted from various government and private publications, including publications issued by the government of the Republic of Korea and the Korea Stock Exchange. Information was also gathered from academic literature and interviews of government officials, stock exchange officials and Korean securities market participants and professionals. Certain statistical information regarding the Korean securities market has been prepared by the Sub-Adviser based upon information derived from the foregoing sources. The Fund, its Board of Directors, the Investment Manager, the Investment Adviser and the Sub-Adviser make no representation as to the accuracy of the information, nor has the Fund or its Board of Directors attempted to verify the statistical information presented herein.

BACKGROUND AND DEVELOPMENT

The development of the Korean securities markets has been substantially influenced by Korean government policy designed to stimulate the Korean economy and investment in Korea. The Korea Stock Exchange (the "KSE") was established in 1956, at which time it functioned primarily as a market for the trading of Korean government bonds, with only twelve equity securities and three government bonds listed for trading. As part of the First Five-Year Economic Development Plan (1962-1966), the Korean government adopted its first securities law to regulate the primary and secondary markets. Beginning in 1968, the Korean government passed additional measures to encourage Korean companies to list on the KSE by means of a wide variety of tax, credit and other benefits only available to listed companies and to facilitate trading on the KSE. Primarily as a result of these measures, the number of listed companies on, and the market capitalization of, the KSE increased significantly in the 1970s. In 1976, the

Securities and Exchange Act of Korea (the "SEA") was amended to provide for, among other things, the establishment of the Securities and Exchange Commission of Korea (the "KSEC") and its executive body, the Securities Supervisory Board (the "Securities Board"). Since 1981, the Korean government has adopted or announced measures to open the Korean securities markets to foreign investment.

RECENT MARKET AND ECONOMIC DEVELOPMENTS

Financial Liberalization and Market Opening Plan. The Ministry of Finance of Korea (the "MOF") has adopted a Financial Liberalization and Market Opening Plan (the "Liberalization Plan") for the Korean financial markets. The Liberalization Plan's main focus is to deregulate and liberalize the financial industry, traditionally tightly controlled by the government and to open Korean securities markets. The first phase of the Liberalization Plan, which was announced in March of 1992, liberalized the requirements for the issuance of certificates of deposit, extended national treatment (i.e., treatment on a parity with domestic financial institutions) to foreign financial institutions operating in Korea for their investments in Korean securities and liberalized the requirements regarding underlying transaction documents in foreign exchange dealings.

The second phase of the Liberalization Plan, announced in June of 1992, included allowing further openings of representative and branch offices of foreign securities companies, expansion of overseas securities investments by Korean institutional investors, establishment of representative offices of foreign investment trust and advisory companies, and investment in the aggregate by foreign entities in up to 10% of the equity ownership of Korean investment trust and advisory companies.

On June 30, 1993, the MOF announced the third phase of the Liberalization Plan. The principal proposals under such phase relate to interest rate deregulation, improvement of monetary control measures and the development of money markets, improvement of credit control management, and foreign exchange and capital market liberalization. Related proposals would further ease access to the Korean securities industry for foreign securities companies and credit rating agencies wishing to establish branches in Korea. Each area of deregulation is to be phased in under three stages from 1993 to 1997.

The third phase of the Liberalization Plan also provides for capital market liberalization on a step-by-step basis. The areas of regulation that the third phase seeks to liberalize include direct investment by foreigners in Korean companies, overseas investment in securities by Korean institutions and individuals, limits on foreign investment in both equity and debt securities and overseas borrowing by Korean companies. The third phase of

the Liberalization Plan also provides for the gradual liberalization of regulation on foreign equity participation in Korean banks.

Specifically, with respect to foreign investment in the Korean securities market, the third phase of the Liberalization Plan provides for the gradual raising of the aggregate foreign ownership limit (at present 10% per class of shares until December 1, 1994 when the limit will become 12%) applicable to equity securities of individual companies listed on the KSE, commencing in 1994. Other measures provided for under the third phase of the Liberalization Plan include permitting international institutions to issue Won-denominated debt securities and permitting foreign investors to invest in funds investing in debt securities and to acquire non-guaranteed long-term debt securities issued by small and medium-sized companies and low interest rate national or public bonds. As part of this process, as of July 1, 1994, foreign investors are allowed to (i) invest directly in non-guaranteed convertible bonds listed on the KSE which are issued by small or medium-sized listed companies, with foreign investors in the aggregate and a single foreign investor being allowed to invest in up to 30% and 5% of the listed amount of each such issue, respectively, and (ii) underwrite certain low interest rate government or public bonds to be designated by the KSEC from time to time up to the limit determined by the KSEC from time to time, each denominated in Won and in each case subject to certain procedural requirements.

In order to facilitate the conversion from the current system of direct monetary controls to market-based controls, under the third phase of the Liberalization Plan the MOF intends to accelerate the timetable to deregulate the deposit and lending rates of banks and non-bank financial institutions, and the interest rates on corporate bonds, financial debt instruments, monetary stabilization bonds and government/public bonds. The deregulation of all lending rates of both banks and non-bank financial institutions, except for rates on certain loans regarded by the government as furthering policy goals, and of the interest rates on corporate bonds with maturities of less than two years, financial bonds, monetary stabilization bonds and government/public bonds occurred as of November 1, 1993.

The MOF, pursuant to the third phase of the Liberalization Plan, seeks to promote effective monetary control through the development of traditional indirect monetary control measures. Such measures include the implementation of rediscount policies, bank minimum reserve requirements and government open market operations. The third phase of the Liberalization Plan seeks to develop the money markets in order to allow the government to pursue indirect monetary policies. Such development is intended to lead to a greater variety of short-term instruments available for investment in the money markets.

Pursuant to the third phase of the Liberalization Plan, the MOF also seeks to improve credit control management separately for large business conglomerates and small and medium sized enterprises. With respect to large business conglomerates, the credit control provisions focus on streamlining excessive credit control. Lending to small and medium sized enterprises is currently required at a certain ratio of the overall lending of financial institutions. Under the third phase of the Liberalization Plan, the current compulsory lending system to such companies will continue for the immediate future, but will be gradually phased out as interest rate deregulation proceeds and the practice of credit-based lending is established.

The third phase of the Liberalization Plan also reflects the MOF's intention of pursuing more consistently the internationalization of the Won. Under the third phase, regulations on foreign exchange transactions will be relaxed and the foreign exchange market will be further developed. The third phase of the Liberalization Plan provides for further expanding the daily range of exchange rate fluctuations, which was increased as of October 1, 1993 from a range of plus or minus 0.8% to a range of plus or minus 1.0%. It is anticipated that such relaxation of controls will enhance the pricing function of the exchange rate mechanism. The third phase of the Liberalization Plan would also eliminate certain documentation requirements for foreign exchange transactions.

There can be no assurance that the provisions of the third phase of the Liberalization Plan will be put into effect or have the intended impact.

Real-Name Financial Transaction System. On August 12, 1993, President Kim Young Sam issued an Emergency Executive Order (the "Order") containing measures designed to establish a real-name financial

transaction system, to deter the use of false names in financial dealings and to provide for the confidentiality of financial transactions. The announced purpose of the Order is to protect the integrity of Korea's financial markets and to achieve greater economic justice. The Order was ratified by the Korean National Assembly as of August 19, 1993.

The Order applies to all financial transactions, including transactions involving deposits, installment savings, checks, certificates of deposit, stocks and bonds. Pursuant to the Order, in any transaction involving a financial institution, the financial institution must verify the real name of the counterparty before entering into the transaction. In addition, existing account holders at financial institutions as of August 12, 1993 who did not confirm their real names or convert aliases to real names by October 12, 1993 are subject to severe penalties.

In order to provide for confidentiality of financial transactions, the Order states that, unless otherwise approved by the relevant customer, information about financial transactions may be made available only in accordance with stipulated procedures and for such limited purposes as tax investigations, court proceedings, regulatory supervision and mandatory requirement.

The practice of engaging in financial transactions under false or borrowed names had been prevalent in Korea. On the day following the issuance of the Order, the Index, the major measure of changes in stock values on the KSE declined 4.46% to 693.57. However, by August 20, 1993, the Index had increased to close at 729.86.

REGULATION OF FOREIGN INVESTMENT

The Korean securities markets have historically been closed to direct investment by most foreign investors although the Korean government has allowed direct foreign investment by foreigners who intended to or could participate in the management of an invested enterprise under the Foreign Capital Inducement Act ("FCIA") and the Foreign Exchange Management Act ("FEMA"), and indirect foreign investment in Korean securities such as through certain domestic trusts of foreign investment funds specifically authorized by the MOF. In 1981, the MOF announced its intention to gradually internationalize the Korean securities markets. Since then, the Korean government has progressively implemented steps to liberalize foreign investment in the Korean securities markets. Beginning on January 3, 1992, foreign investors have been able to invest directly in equity shares listed on the KSE, subject to certain restrictions that are described

below. At the present time, however, foreign investors, including the Fund, generally are not permitted to make direct or indirect investments in Won-denominated debt securities except that as of July 1, 1994 foreign investors are allowed to purchase (i) non-guaranteed convertible bonds of listed small and medium-sized companies, shares of which are listed on the KSE and (ii) certain low interest rate government or public bonds to be designated by the KSEC from time to time in the primary market subject to certain foreign holding limits and procedural requirements as described below. In addition, foreign investors currently may not participate in the purchase of shares through initial or secondary public offerings (other than through rights issues).

The liberalization of the Korean securities markets has generally progressed in gradual stages beginning with the authorization of indirect investment by foreign investors in Korean securities through Korean investment trusts and foreign investment funds, investing in Korean securities with a specific license from the MOF. The first type of permitted indirect foreign investments in Korea was a Korean unit investment trust established in late 1981. By June 30, 1994 there were a total of 39 such trusts aggregating approximately U.S.$1,705 million outstanding including matching funds (which invest in Korean and non-Korean securities markets). As of August 31, 1994, three foreign investment funds had been licensed by the MOF to invest in Korean securities subject to certain limitations. The units of such trusts or shares of such funds have been offered to foreign investors to permit such investors to participate in Korean securities markets by purchasing such units or shares.

Since 1985, a limited number of Korean companies have been permitted to issue equity-related securities denominated in currencies other than Won, including convertible bonds, bonds with equity warrants and depositary receipts, to foreign investors outside of Korea as a means of raising capital. These types of equity-related securities are convertible into the issuer's equity shares listed on the KSE. In 1992, seven issues of convertible bonds, two issues of bonds with equity warrants and one issue of depositary receipts representing

equity shares, were made outside of Korea by companies listed on the KSE aggregating U.S.$639 million. In 1993, eleven issues of convertible bonds, one issue of bonds with equity warrants and three issues of depositary receipts were made outside of Korea by companies listed on the KSE aggregating U.S.$916 million. During the first six months in 1994, thirteen issues of convertible bonds, one issue of bonds with equity warrants and six issues of depositary receipts, aggregating U.S.$780 million, were made.

Since January 3, 1992, foreigners have been permitted to invest in all shares listed on the KSE, subject to the ceilings on foreign shareholdings and procedural limitations set out below. Except as described below, foreign investors are only permitted to trade such shares on the KSE itself and are currently prohibited from engaging in margin transactions. In addition, a foreign investor is subject to specific registration and reporting requirements, custody requirements and requirements prescribing the use of certain types of entities as proxies to exercise shareholder's rights, to place orders to sell or purchase shares or to take other related action that it does not undertake directly.

Current regulations generally limit the percentage of any class of shares of a listed issuer in which a single foreign investor and all foreign investors in the aggregate may acquire beneficial ownership to 3% and 10%, respectively. The KSEC, however, may increase or decrease these percentages if it deems necessary for the public interest, protection of investors or industrial policy. Currently, the KSEC has authorized several exceptional ceilings, including the following: (1) subject to the approval by the KSEC of an application submitted by a company whose shares are held by foreign investors under the FCIA or certain sections of the FEMA if such holdings by foreigners do not reach 25% of the company's outstanding shares, a ceiling on acquisition of shares by foreigners in the aggregate may be established separately for each such company, depending on the shareholding of foreigners under the FCIA and the FEMA, but in any case not equal to or exceeding 25%; (2) a special ceiling determined by any company more than 50% of whose shares are held by foreigners under the FCIA or certain sections of the FEMA; and (3) an 8% ceiling on the acquisition of shares by foreigners in the aggregate established for certain corporations designated by the Finance Minister (currently, only KEPCO and POSCO are subject to this lower ceiling).

The Government has announced its intention to raise the aggregate foreign ownership limit gradually during the period from 1994 to 1997. No assurances can be given, however, as to whether or when such increase will be implemented and, if and when implemented, to what levels such limit will be raised.

These ceilings may be exceeded, however, (i) as a result of acquiring shares obtained pursuant to the FCIA or the FEMA, (ii) by a depositary acquiring shares for the purpose of the issue of depositary receipts evidencing an interest in such shares, (iii) as a result of acquiring shares listed on the KSE upon conversion of, or exercise of warrants or withdrawal rights under or

attached to equity-related securities issued overseas by Korean companies (collectively, "Converted Shares"), (iv) as a result of acquiring shares of a small or medium-sized company through the exercise of a conversion right attached to non-guaranteed convertible bonds listed on the KSE of such company, or (v) by the acquisition of shares arising from the exercise of shareholder's rights and other rights and shares obtained by way of gift, inheritance or bequest; provided that the number of shares held by a single foreign investor exceeding the 3% limit (except in the cases of (i) and (ii) above) must be sold within three months from the date of acquisition.

In calculating these ceilings, all foreign shareholdings (other than those owned by Korean branches and subsidiaries of certain foreign financial institutions) must be counted regardless of whether the shares were purchased through the KSE, or whether they are newly issued shares or outstanding shares. Newly issued shares (including Converted Shares) are calculated as of the date of their listing on the KSE. When applying a ceiling with respect to acquisitions by a single foreign investor, each entity (including individuals, corporations, foreign government agencies, and foreign funds, unit trusts and partnerships) is entitled to a separate 3% limitation. In calculating the holding of shares of a class in a particular company, foreign investors are entitled to disregard holdings of shares held indirectly through an investment in a Korean securities investment trust or through a holding in any funds or investment trusts established overseas. All branches in Korea of any foreign investor as a group are entitled to their own 3% limitation separate from that of their head office. When calculating these ceilings, shares purchased are deemed to be acquired at the time of placing the relevant order and shares sold are deemed to be disposed of at the time of execution.

A foreigner who has acquired shares in excess of any ceiling described above may not exercise its voting rights with respect to the shares exceeding such limit, and the KSEC may take necessary corrective action with regard to such foreigner pursuant to the SEA. The Governor of the Securities Board may, at his discretion, disclose the numbers of shares of a class available for investment by a single foreign investor and foreign investors in the aggregate, and provide a list of shares that have reached or exceeded the ceiling on acquisition by foreign investors in the aggregate. Currently, the Governor discloses this list every morning on which trading occurs. Orders for shares made during a trading day which, if executed, will lead to the relevant ceiling being exceeded would not be accepted by the KSE's trading system.

Under the SEA, certain companies designated by the MOF are generally authorized to adopt provisions in their articles of incorporation restricting or prohibiting foreign ownership of such companies' shares. At present, KEPCO and POSCO have adopted a provision in each of their articles of incorporation restricting ownership of their common shares by a single foreigner to 1% of their common shares. In addition, under the Telecommunications Basic Act, foreign investors are prohibited from acquiring any shares in Dacom Corporation.

The SEA generally imposes a 10% beneficial ownership limitation on the total outstanding voting shares of a listed company that may be held by any one individual or entity, including Korean nationals, without the approval of the KSEC (which limitation is due to be repealed as of January 1, 1997). The KSEC rules also provide that a company may not issue convertible bonds, bonds with warrants or depositary receipts outside of Korea if the sum of (i) shares which may be acquired by foreigners by the exercise of the conversion rights, warrants or withdrawal rights for underlying shares under the proposed issue and under any previously issued bonds, warrants or depositary receipts and (ii) shares held by foreigners in excess of the applicable ceiling (generally 10%) on aggregate foreign investment (except any such excess held under the FCIA), in the aggregate, exceeds or would exceed 15% (or such greater percentage as may in exceptional circumstances be permitted by the KSEC) of the issued capital of the issuer at the date of issue of the relevant securities. If foreign investors hold or will hold, upon exercise of conversion rights, warrants or withdrawal rights, 50% or more of the outstanding shares of a company, the shares to be issued, upon exercise of conversion rights, warrants or withdrawal rights by foreign investors must be non-voting shares to the extent that shares held or which may be held by foreign investors exceeds or will exceed this 50% limit. In addition, the Foreign Exchange Management Regulations currently provide that the percentage of the outstanding shares of a company (including shares which would be outstanding as a result of the conversion of convertible bonds and the exercise of warrants attached to bonds or withdrawal rights attached to depositary receipts) that may be held by non-residents or foreigners, unless provided otherwise in any other relevant laws and regulations (including those of the KSEC), is limited to 50%.

Foreigners are permitted to trade shares only on the KSE, except that foreigners may (i) acquire shares by gift or inheritance, (ii) acquire shares pursuant to rights issues or pursuant to investments, convertible bonds or depositary receipts issued outside Korea, (iii) buy and sell odd lots of shares with Korean securities companies, (iv) buy and sell shares directly with other foreigners once the relevant ceiling on aggregate foreign ownership in a class

of shares in a company (or such ceiling less the number of odd-lot shares) is reached or exceeded through a Korean broker as an intermediary ("foreign OTC transactions") and (v) trade shares off the KSE with the approval of the KSEC for specific trades.

The Fund may acquire a substantial portion of its portfolio securities in foreign OTC transactions involving premium prices in excess of the KSE price. There can be no assurance that the Fund will be able to realize such premiums if it sells the shares to another foreign investor. Such premiums may be affected by changes in regulations and otherwise, including changes in the percentage of foreign ownership permitted in KSE-listed companies.

Since July 1, 1994, foreigners have been permitted (1) to invest in non-guaranteed convertible bonds listed on the KSE which are issued by small and medium-sized companies the shares of which are listed on the KSE, with foreign investors in the aggregate and a single foreign investor being allowed to invest in up to 30% and 5% of the listed value of each class of such bonds, respectively; and (2) to participate in new issues of certain low interest rate government or public bonds to be designated from time to time by the KSEC up to

the limit determined by the KSEC from time to time, each denominated in Won and in each case subject to certain procedural requirements described below.

A foreign investor who wishes to invest in shares or bonds issued in Korea by Korean companies is required to register its identity with the Securities Board prior to making any such investment in shares or bonds, respectively. Upon registration, the Securities Board will issue to the foreign investor an Investment Registration Card for stock or bond, as the case may be, which must be presented each time the foreign investor opens a brokerage account with a securities company.

Upon a foreign investor's purchase or sale of shares or bonds through the KSE, no separate report by the investor is required because the Investment Registration Card system is designed to control and oversee foreign investment through a computer system. However, a foreign investor's acquisition or sale of shares or bonds outside the KSE (as discussed above) must be reported by the foreign investor or his standing proxy to the Governor at the time of each such acquisition or sale, and, upon request of such securities company, a copy of that report must be submitted to the securities company with which the foreign investor opened a brokerage account; provided, however, that a foreign investor must ensure that his acquisition or sale of shares or bonds outside the KSE for odd-lot trading or in a foreign OTC transaction is reported by the securities company engaged to facilitate such transaction and his acquisition of shares as a result of a rights issue, stock dividend and bonus issue is reported by the company issuing the shares concerned.

A foreign investor must appoint one or more standing proxies from among the Korea Securities Depository, foreign exchange banks (including domestic branches of foreign banks) and securities companies (including domestic branches of foreign securities companies) which have obtained a license to act as a standing proxy to exercise rights as a holder of shares or bonds, place an order to sell or purchase shares or bonds or perform any matters related to the foreign activities if the foreign investor does not perform these activities himself. However, a foreign investor may be exempted from complying with these standing proxy rules with the approval of the Governor in cases in which such exemption is deemed inevitable by reason of conflict between laws of Korea and the home country of such foreign investor.

Certificates evidencing shares or bonds of Korean companies must be kept in custody with an eligible custodian in Korea. Only foreign exchange banks (including domestic branches of foreign banks), securities companies (including domestic branches of foreign securities companies) and the Korea Securities Depository are eligible to be a custodian of shares or bonds for a foreign investor. A foreign investor must ensure that his custodian deposits such shares or bonds with the Korea Securities Depository. However, a foreign investor may be exempted from complying with this deposit requirement with the approval of the Governor in circumstances where such compliance is made impracticable, including cases where such compliance would contravene the laws of the home country of such foreign investor.

A foreign investor who intends to acquire shares or bonds must designate a single foreign exchange bank and open a Won Account and Foreign Currency Account, for investment in shares and separately for investment in bonds. No approval is required for remittance into Korea and the deposit of foreign currency funds in the Foreign Currency Account. With the confirmation of the investor's designated foreign exchange bank, foreign currency funds may be transferred to a Won Account for stock investment or bond investment, as the case may be, held with a broker (i.e., securities company) only at the time Won funds are necessary for the purchase of shares or bonds, as the case may be (i.e., for payment of the deposit money at the time of placing an order, and the remainder of the purchase price outstanding at the time of settlement). Funds in

the Foreign Currency Account may be remitted abroad without any governmental approval.

Dividends on shares or interest on bonds of Korean companies are paid in Won. No governmental approval is required for foreign investors to receive dividends or interest on, or the Won proceeds of the sale of, any such shares or bonds, as the case may be, to be paid, received and retained in Korea. Dividends or interest paid on, and the Won proceeds of the sale of, any such shares or bonds, as the case may be, held by a non-resident of Korea must be deposited either in a Won Account for stock investment or bond investment, as the case may be, with the investor's securities company or its Won Account. Funds in the investor's Won Account may be transferred to its Foreign Currency Account or withdrawn for local living expenses (subject to certain limitations), in each case subject to approval of the investor's designated foreign exchange bank. In addition,

funds in the Won Account may be used for future investment in shares or bonds or for payment of the subscription price of new shares obtained through the exercise of pre-emptive rights.

Foreign investors may, without any governmental approval, enter into forward transactions between Won currency and foreign currency with a foreign exchange bank in Korea to the extent necessary to hedge foreign exchange risk resulting from their investment in Korean shares or bonds or holding of Won currency for the purposes of such investment.

The MOF or the KSEC may issue orders imposing additional restrictions when deemed in the public interest, for the protection of investors or in the interest of maintaining an orderly securities market. Under the FEMA, the MOF has the authority, with prior public notice of scope and duration, to suspend all or a part of foreign exchange transactions when emergency measures are deemed necessary in case of a radical change in the international or domestic economic situation. To date, the MOF has not exercised this authority.

THE KOREA STOCK EXCHANGE

The KSE, established in 1956, is the only stock exchange in Korea and has its only trading floor in Seoul. The KSE is a non-profit organization, the shares of which are wholly-owned by its 32 member firms. Both equity and debt securities are traded on the KSE. Although the KSE market capitalization and trading volume have increased substantially over the past ten years, it is still small relative to the U.S. exchanges. The aggregate market value of equity securities listed on the KSE was approximately W 128.4 trillion (approximately U.S.$159.4 billion) at June 30, 1994, and the average daily trading value of such securities was W 548,048 million (approximately U.S.$710,400) for 1993. Equity securities listed on the KSE are divided into two separate trading sections

THE PRIMARY MARKETS

Equity Market

Securities companies with requisite MOF approval are permitted to underwrite new issues, and managers of underwriting syndicates are required to endorse two year profit forecasts submitted to the Securities Board. The KSEC may issue warnings to lead managers or restrict their participation in the managing of public offerings if the company's profits are less than 60% of the forecasts in the first year and less than 50% of the forecasts in the second year or if the company is declared bankrupt. All shares must have a par value, but the offering price of a new issue will generally exceed par value. Before June 1991, listed companies were, unless otherwise qualified, required to offer 100% of their issues at "market price" although it was possible to apply a discount to the theoretical ex-rights price when establishing the "market price." However, in an attempt to stimulate the securities market, the KSEC repealed the rules requiring issues at "market price" in June 1991, and adopted a new rule allowing the Chairman of the KSEC to impose a ceiling on any discount from "market price." The Chairman has not yet published any such ceiling but may do so in the future.

Listed companies may issue further shares for cash or non-cash consideration; further issues are normally in the form of rights issues to existing shareholders. However, by law, members of a listed company's employee stock ownership association are entitled to subscribe up to 20% in aggregate of any new shares publicly issued irrespective of whether or not they are already shareholders. Companies may also issue shares without consideration as bonus issues.

In common with other foreign investors, the Fund is not permitted to subscribe for new issues otherwise than by exercising its rights in a rights issue. It may not underwrite new issues or buy or sell rights.

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<TABLE>
The following table indicates the number and aggregate size of new issues of equity through public offerings or rights issues during the past decade.

<CAPTION>

	INITIAL PUBLIC OFFERINGS			OFFERINGS TO SHAREHOLDERS			TOTAL EQUITY CAPITAL RAISED	
YEAR	NUMBER	IN MILLIONS OF WON	IN THOUSANDS OF U.S. DOLLARS	NUMBER	IN MILLIONS OF WON	IN THOUSANDS OF U.S. DOLLARS	IN MILLIONS OF WON	IN THOUSANDS OF U.S. DOLLARS
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1984.....	13	81,190	98,127	107	397,672	480,628	478,862	578,755
1985.....	10	33,860	38,036	60	259,528	291,539	293,388	329,575
1986.....	12	33,360	38,728	110	797,705	926,056	831,065	1,003,512
1987.....	40	197,714	249,544	178	1,654,950	2,088,792	1,852,664	2,338,336
1988.....	98	554,115	809,991	298	6,720,644	9,824,067	7,274,759	10,634,058
1989.....	119	1,962,236	2,887,340	274	11,124,538	16,369,244	13,086,774	19,256,583
1990.....	33	315,709	440,688	169	2,581,808	3,603,864	2,897,517	4,044,552
1991.....	22	506,894	666,264	136	2,180,164	2,865,620	2,687,058	2,531,885
1992.....	19	318,001	403,350	133	1,711,188	2,170,457	2,029,189	2,573,806
1993.....	35	355,619	440,068	171	2,788,862	3,451,135	3,144,481	3,891,203
1994(1).....	5	136,435	168,960	67	2,410,955	2,985,703	2,547,390	3,154,663

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(1) During the period from January 1 to April 30, 1994.
Source: Stock, July 1994, Korea Stock Exchange.
</TABLE>

Bond Market

Most corporate bonds which are issued domestically are issued through public offerings which are underwritten by securities companies, banks, investment and finance companies, merchant banks and certain other licensed financial institutions. The majority of corporate bonds are guaranteed by banks and other financial institutions, although an increasing number of corporate bonds are issued without such guarantees. Since maturities are relatively short (about half of all new issues of bonds tend to be for under four years), a significant portion of new issues is required to refund maturing bonds.

<TABLE>
Levels of new issue activity in the corporate bond market are given in the following table.

<CAPTION>

YEAR	NUMBER OF ISSUES	IN MILLIONS OF WON	IN THOUSANDS OF U.S. DOLLARS
<S>	<C>	<C>	<C>
1984.....	872	1,804,063	2,180,400
1985.....	1,096	3,176,744	3,568,719
1986.....	900	2,728,871	3,167,949
1987.....	1,019	3,189,617	4,693,374
1988.....	1,063	4,244,320	6,204,239
1989.....	1,217	6,959,035	10,239,898
1990.....	1,776	11,083,555	15,471,182
1991.....	2,797	12,740,679	16,746,423
1992.....	2,382	11,137,260	14,126,405
1993.....	2,680	15,598,264	19,302,394
1994 through June 30.....	1,402	10,540,060	13,052,708

<FN>
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Source: Stock, July 1994, Korea Stock Exchange.
</TABLE>

Bonds are also issued by the public sector in the name of, or guaranteed by, the MOF, The Bank of Korea or institutions owned by the Korean government. Some of these are tax-exempt and not all of them are listed on the KSE. The Bank of Korea has issued large volumes of Monetary Stabilization Bonds (which have maturities of less than one year) principally to absorb excess liquidity in the economy. Monetary Stabilization Bonds accounted for more than 40% of all domestic bond issues, public and corporate, at December 31, 1993. Generally, public bonds yield less than corporate bonds and are held mainly by institutions.

THE SECONDARY MARKETS

The listing of securities is regulated by the Securities Listing Regulation of the KSE, which classifies the four types of securities which may be listed as

equity securities, warrants to subscribe for new shares, beneficial certificates and debt securities. A listing application and initial listing fee (except for the listing of certain bonds) must be submitted to the KSE, which determines whether an applicant is eligible for listing. The KSE is empowered to de-list securities.

Equity Market

Equity securities transactions may only be effected on the KSE through securities companies acting as brokers or principals that are members of the KSE. As of July 31, 1994, there were 32 member firms of the KSE. Currently all 32 members of the KSE are licensed in all three categories: dealing, brokering and underwriting. Financial intermediaries including banks, short-term finance companies and merchant banking corporations are not eligible for membership on the KSE. However, they may engage in underwriting to a limited extent upon obtaining a license from the MOF. Currently, foreign securities companies may establish representative offices in Korea upon the approval of the MOF but their participation in the securities business is prohibited. In addition, twelve foreign securities firms have established branch offices in Korea to engage in brokerage business or other securities business depending upon the respective terms of MOF approval.

Information regarding individual securities, including bid and asked quotations, trading volume, price-earnings ratios, earnings and yields, and the composite stock price index and stock price indices by sector, is available through a network of computer terminals located in offices of securities companies in Korea. There is a small over-the-counter market, which is not open to foreign investors.

The equity securities listed on the KSE are divided into two sections within which the equity securities are traded. The main difference between the two sections is that margin transactions are permitted only in the first trading section (with the exception of securities issued by a securities company which acts as a broker for the transaction concerned). A newly listed equity security must be traded in the second trading section for at least one year after its initial listing. Additional listing criteria must be met in order for an equity security to be traded in the first trading section. As of December 31, 1992, the securities of 483 companies listed on the KSE were traded in the first trading section. An equity security trading in the first trading section that fails to maintain certain criteria will be reassigned to the second trading section.

For initial listing on the KSE, equity securities must meet certain requirements, including: (i) corporate existence for at least five years; (ii) paid-in capital of at least W 3 billion; at least 300,000 outstanding shares and stockholders' equity of at least W 5 billion; (iii) average annual sales revenue for the last three accounting periods of at least W 15 billion and sales revenue for the most recent accounting period of at least W 20 billion; (iv) the provision of a favorable auditor's opinion (whether qualified or not) on the company's financial statements for the last three accounting periods; (v) at least 30% of the outstanding shares, including at least 30% of all voting shares, must have been publicly offered for subscription or sale within six months prior to the listing application date; (vi) a debt to equity ratio of less than 150% of the average for the same industry sector; (vii) shares issued by way of rights or bonus issues (including stock dividends) during the past year must not exceed a specified percentage, and, with certain exceptions, the stockholding ratio must not have been changed during the one year prior to the listing application date; and (viii) the asset value per share and the earnings value per share (as defined in the KSE regulations) must exceed 150% and 100% of its par value, respectively.

The listing criteria a company must meet for its equity securities to be traded on the first trading section of the KSE include the following: (i) paid-in capital of at least W 5 billion as of the end of the most recent accounting period; (ii) after-tax net profit for each of the last three accounting periods must have been at least 10% of paid-in capital, or, alternatively, the ratio of stated capital plus reserves to stated capital as of the end of each such accounting period must have been at least 250%; (iii) debt to equity ratio for each of the last three accounting periods must be no greater than the average for the same industry section; (iv) liquidity ratio for each of the last three accounting periods must have equalled or exceeded the average for the same industry sector; (v) a dividend of at least 5% of the par value per share must have been declared and paid to each stockholder holding voting shares of less than 1% of the issued and outstanding shares in respect of at least two out of the last three accounting periods; (vi) the provision of a favorable auditor's opinion (whether qualified or not) on the company's financial statements for the last three accounting periods; (vii) at least 40% of the outstanding shares, excluding those held by the Korean government or certain foreign investors ("Government and Foreign Owned Shares"), must be held by certain institutional investors and a minimum number (400 to 500 depending on the amount of the paid-in capital) of stockholders, each holding less than 1% of the company's issued and outstanding shares; (viii) monthly average trading

volume on the KSE for the

accounting period in which listing in the first trading section is to take place must be at least 1% of the company's shares, excluding Government and Foreign Owned Shares, if any; (ix) with the exception of the Korean government holding shares of certain designated companies, no stockholder may own more than 51% of the company's outstanding shares; and (x) the company's shares must have been listed for at least one year in the second trading section.

Listed companies are required to submit both semi-annual and annual reports to the KSE and the KSEC. Upon the occurrence of certain events such as the revocation of a license for the main line of business, the suspension of a bank account or conditions for corporate dissolution, direct disclosure of such event must be made by listed companies to the public investors through the broadcasting facilities located in the KSE. Within two days after certain less material events such as a change of business objectives, the filing of a significant lawsuit against the company or the notification of a tax investigation, disclosure must be made to the KSE, which will be disseminated to the public.

An over-the-counter market for non-listed securities was established in April 1987 as a mechanism for smaller companies that are unable to meet the KSE listing requirements to gain access to the securities markets. As of May 31, 1994, 220 Korean companies were registered on the over-the-counter market. This market is not open to foreign investors.

Purchases and sales of shares may be completed fully in cash or by means of a margin transaction. As of July 31, 1994, the margin requirement is the amount equivalent to 40% of the total value of the stocks purchased on margin or sold short. Only shares in the first trading section of the KSE, with certain exceptions, may be purchased or sold by means of a margin transaction. The margin requirements are varied from time to time by the KSE. According to statistics prepared by the KSE, margin transactions in 1992 and 1993 amounted to 31.2% and 19.5%, respectively, of total trading volume by number of shares, and 36.2% and 24.0%, respectively, of the trading volume of those shares eligible for margin transactions. Foreign investors, including the Fund, are not permitted to engage in margin transactions, as discussed under "The Securities Markets of Korea -- Regulation of Foreign Investment."

The KSE may require deposits in cash or substituted securities to be paid in advance of settlement, in varying amounts depending on the type of investor. Currently, the required deposit in cash or substitute securities from certain institutional investors is 20% of the consideration payable. The figure for non-institutional investors is 40%. A foreign investor may be treated as an institutional investor in respect of the foregoing deposit requirement upon designation as such by the KSE. The Fund will apply for such designation with the KSE. The Fund has entered into custody account arrangements with the Custodian, Subcustodian and the Fund's brokers, whereby funds required to be deposited would be deposited, at a nominal interest rate, with the Subcustodian on irrevocable instructions to pay them to the broker on settlement day against the delivery of the relevant securities. Short selling of equity securities is permitted on the KSE, but may not be effected by foreign investors including the Fund under the KSEC Rules.

MARKET CAPITALIZATION AND TRADING VOLUME

The Korean securities markets, while relatively small as compared to the securities markets of the United States, Japan and certain European countries, have, with the exception of 1990 and 1991, been generally characterized by gradual and consistent growth. The development of the Korean securities markets may be attributed to, among other things, the Korean government's extensive involvement in the private sector, including the securities markets. From 1982 to 1989, market capitalization of equity securities listed on the KSE increased substantially from approximately W 3.0 trillion to a record high of approximately W 95.5 trillion at December 31, 1989. During 1990 and 1991, however, market capitalization did not continue such growth, and the total market capitalization of equity securities listed on the KSE decreased 17.2% to approximately W 79.0 trillion at December 31, 1990 and decreased 7.5% to approximately W 73.1 trillion at December 31, 1991. Since the beginning of 1992 and the opening of the Korean securities markets to foreign investment, market capitalization has generally increased, and as of June 30, 1994 was W 128.4 trillion.

Large groups of related companies referred to as "chaebol" are engaged in a wide range of businesses and play a significant role in the Korean economy. The Korean government has requested the chaebol companies

to reduce their shareholdings both within and outside of the chaebol group. The Korean government's policy is to encourage the growth of smaller and medium-sized companies.

Total trading volume of equity securities listed on the KSE has fluctuated widely, but also has, with the exception of 1990 and 1991, generally increased from 1982 through 1993. In 1993, total trading volume was approximately W 169.9 trillion, which represented an increase of 87.5% from total trading volume of W 90.6 trillion in 1992. Trading activity in equity securities is concentrated in relatively few securities. In 1993, the 30 most actively traded equity securities listed on the KSE accounted for 28.8% of total trading volume.

<TABLE>
The number of companies listed, the corresponding aggregate market value at the end of the periods indicated and the average daily trading volume for those periods are set out in the following table.

<CAPTION>

		MARKET VALUE AT PERIOD END		AVERAGE DAILY TRADING VOLUME/VALUE		
YEAR	NUMBER OF LISTED COMPANIES	IN BILLIONS OF WON	IN MILLIONS OF U.S. DOLLARS	IN THOUSANDS OF SHARES	IN MILLIONS OF WON	IN THOUSANDS OF U.S. DOLLARS
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1984.....	336	5,148	6,222	14,847	10,642	12,862
1985.....	342	6,570	7,380	18,925	12,315	13,834
1986.....	355	11,994	13,923	3,402(1)	32,870	38,159
1987.....	389	26,172	33,033	56,701(1)	70,185	88,584
1988.....	502	64,544	94,349	10,367	198,364	289,963
1989.....	626	95,477	140,490	11,757	280,967	413,430
1990.....	669	79,020	110,302	10,866	183,692	256,411
1991.....	686	73,118	96,107	14,021	214,263	281,629
1992.....	688	84,712	107,448	24,028	308,246	390,977
1993.....	693	112,665	139,420	35,130	574,048	710,368
1994(2).....	692	128,362	159,357	35,867	662,208	912,164

<FN>
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(1) Equivalent to the trading volume after consolidation of shares. From 1986 to 1987, shares were consolidated at the ratio of 10 to 1 or 5 to 1 to improve the efficiency of trading. The actual trading volumes, before consolidation of shares was completed, were 31,755 and 20,353 in 1986 and 1987, respectively.
(2) As of June 30, 1994 and during the period from January 1 to June 30, 1994, as the case may be.
Source: Monthly Review, July 1994, Securities Supervisory Board.
</TABLE>

<TABLE>
The total trading volume of equity securities in 1993 was approximately W 10.4 trillion representing an increase of 47% from the 1992 level of W 7.1 trillion. In 1992, the total trading volume increased 73% from the 1991 level to W 4.1 trillion. Trading activity, however, is concentrated in a limited number of companies within a small number of industries. The 30 most actively traded domestic equity securities accounted for 28.8% of total trading volume of domestic equity securities for the year ended December 31, 1993. The following table illustrates the annual trading volume of the 30 most actively traded equity securities on the KSE for the year ended December 31, 1993.

<CAPTION>

COMPANY	ANNUAL TRADING VOLUME (WON MILLIONS)
<S>	<C>
Daewoo Heavy Ind.	3,244,470
Korea Electric Power Corporation.....	3,207,740
Pohang Iron & Steel Co., Ltd.	2,821,601
Hyundai Motor.....	2,438,805
Daewoo Corporation.....	2,389,966
Samsung Electronics Co., Ltd.	2,311,690
Daewoo Securities Co., Ltd.	2,194,911
Dongsuh Securities Co., Ltd.	2,067,358
The Korea Commercial Bank of Korea.....	2,052,412
Daishin Securities Co., Ltd.	1,950,169
Lucky Securities Co., Ltd.	1,924,933
</TABLE>

<TABLE>
<CAPTION>

	ANNUAL TRADING

COMPANY	VOLUME (WON MILLIONS)
<S>	<C>
Goldstar Co., Ltd.	1,750,126
Daewoo Electronics	1,709,620
Bank of Seoul	1,675,062
Saeil Heavy Ind.	1,484,378
Hyundai Engineering & Const.	1,428,796
Sammi Steel	1,420,201
Cho Hung Bank	1,293,306
Asia Motor	1,268,295
Coryo Securities Corporation	1,113,835
Lucky	1,033,161
SsangYong Motor	997,929
Poong San	956,434
Sammi	942,677
Korea First Bank	921,436
Hanbo Steel & General Const	920,446
I.C.C. Corp.	866,229
Hanil Bank	850,113
Kia Motors Corporation	810,011
Daelim Industrial	805,225
Total	48,851,335

<FN>
- ---------------
Source: Fact Book, 1994, Korea Stock Exchange.
</TABLE>

<TABLE>
The following tables set forth the number of listed companies, market capitalization and trading volume of domestic equity securities in Korea through June 30, 1994 and other selected countries.

<CAPTION>

	NUMBER OF LISTED EQUITY ISSUES	NUMBER OF LISTED COMPANIES	MARKET CAPITALIZATION (WON BILLIONS)	EQUITY TRADING VOLUME ON THE EXCHANGE (WON BILLIONS)
<S>	<C>	<C>	<C>	<C>
1984	455	336	5,148.5	3,118.2
1985	414	342	6,570.4	3,620.6
1986	485	355	11,994.2	9,598.1
1987	603	389	26,172.2	20,493.9
1988	970	502	64,543.7	58,120.6
1989	1,284	626	95,476.8	81,199.6
1990	1,115	669	79,019.7	53,454.5
1991	1,013	686	73,117.8	62,564.9
1992	1,014	688	84,712.0	90,624.4
1993	1,045	693	112,665.3	169,918.1
1994(1)	925	692	128,362.0	90,231.6

<FN>
- ---------------
(1) January through June 30, 1994.
Source: Stock, July 1994, Korea Stock Exchange.
</TABLE>

<TABLE>
<CAPTION>

EXCHANGE	LOCAL INDEX	NUMBER OF LISTED COMPANIES 1983	NUMBER OF LISTED COMPANIES 1992	MARKET CAPITALIZATION DECEMBER 31, U.S.$ BILLIONS 1983	MARKET CAPITALIZATION DECEMBER 31, U.S.$ BILLIONS 1992	ANNUAL TRADING VALUE U.S.$ BILLION 1983	ANNUAL TRADING VALUE U.S.$ BILLION 1992
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Hong Kong	Hang Seng	n/a	413	17	172	5,116	90,611
India	FE Bombay Index	3,118	6,700	7	65	2,377	20,597
Indonesia	JSE Composite	19	155	0.1	12	11	3,903
Korea	KOSPI	328	688	4	107	2,260	116,101
Malaysia	KLSE Composite	204	366	23	94	3,398	21,730
Pakistan	SBP Index	327	628	1	8	n/a	980
Philippines	Manila Com/Ind Index	208	170	1	14	483	3,104
PRC	n/a	--	53	--	18	--	13,363
Singapore	DBS 50	118	163	16	49	5,588	14,084
Sri Lanka	CSE All Shares	--	190	--	1	--	114

Taiwan.....	TSE	119	256	8	101	9,081	240,667
Thailand.....	SET	88	305	1	58	381	72,060

<FN>
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Source: Emerging Stock Markets Factbook 1993; International Finance Corp.
</TABLE>

GOVERNMENT INVOLVEMENT IN THE PRIVATE SECTOR

The Korean government has historically exercised and continues to exercise substantial influence over many aspects of the private sector including the securities markets, often viewing equity financing as a means of achieving broader policy goals such as the diffusion of majority shareholder control in large companies. The Korean government from time to time has influenced the payment of dividends and the prices of certain products, encouraged companies to invest in or to concentrate in particular industries, induced mergers between companies in industries suffering from excess capacity and induced private companies to publicly offer their securities. The KSE has also sought to minimize excessive price volatility through various steps, including the imposition of limitations on daily price movements of securities.

In May 1990, the Securities Market Stabilization Fund ("Stabilization Fund"), a fund operated by its contributors which include substantially all of the KSE-listed companies and Korean securities companies, as well as Korean banks, insurance companies, and certain other institutional investors, was established by the securities industry with government cooperation in order to stabilize the market primarily through the purchase and sale of securities The size of the Stabilization Fund is not officially reported. However, as of January 1994, the Stabilization Fund was reported by the financial press to constitute approximately 5% of the total listed equity market capitalization of the KSE. The Stabilization Fund was initially established for a three-year period, which has been extended for an additional three years to 1996. See "Risk Factors and Special Considerations -- Market Characteristics."

In January and February of 1994, the Korean government announced a series of measures designed to stabilize the securities market. Significant measures include, among others, increasing the number of new listings on the KSE; strengthening the guarantee deposit requirement for new listings on the KSE; lowering the interest rate on deposits with securities companies; encouraging institutional investors, including the Stabilization Fund, to sell listed stocks in their possession; permitting short sales; lowering the ceiling on shares of a single company which may be held by a securities investment trust; and raising the securities transaction tax rate for sales effected on the KSE.

MARKET DATA

Market performance of the KSE is measured by a composite index and several additional indices based on the first and second trading sections of the KSE, industry sectors and the capitalization of individual stocks. The Korea Composite Stock Price Index ("Index") is the major measure of changes in the aggregate market

value of all common stocks listed on the KSE. Under the current weighted market value method of computing the Index, the market price of each listed common stock is multiplied by the number of shares listed and then aggregated. Prior to 1983, the Index was determined through a simple average method of computation.

The Index generally increased through the 1980s but has generally decreased from its high annual close in 1989. During 1992, the Index fluctuated widely reaching a high point of 691.48 on February 8 and a low point of 459.07 on August 21. On December 31, 1992, the Index closed at 678.44, an 11.1% increase from year-end 1991. On December 31, 1993 and June 30, 1994, the Index closed at 866.18 and 933.36, respectively. At July 31, 1994 the Index was at 927.97. See "The Securities Markets of Korea -- Recent Market and Economic Developments."

<TABLE>
The following table illustrates the market performance of the KSE as measured by the Index from 1984 through 1994, together with the associated dividend yield and price-to-earnings ratios for listed securities as of the end of the periods indicated.

KOREA COMPOSITE STOCK PRICE INDEX(1)

<CAPTION>

				AVERAGE	
YEAR	HIGH	LOW	PERIOD END	DIVIDEND YIELD(2)(3)	PRICE/EARNINGS RATIO(2)(3)
<S>	<C>	<C>	<C>	<C>	<C>
1984.....	142.46	114.37	142.46	5.7	4.5

1985	163.37	131.40	163.37	6.0	5.2
1986	279.67	153.85	272.61	4.8	7.6
1987	525.11	264.82	525.11	2.9	10.9
1988	922.56	527.89	907.20	2.6	11.2
1989	1,007.77	844.75	909.72	2.3	14.4
1990	928.82	566.27	696.22	2.6	13.3
1991	763.10	586.51	610.92	2.9	11.7
1992	691.48	459.07	678.44	2.5	11.4
1993	874.10	605.93	866.18	1.9	14.1
1994 through June 30	974.26	855.37	933.36	1.4	16.2

<FN>
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(1) The Index covers all common stocks listed on the KSE with a base date of January 4, 1980 and a base index of 100. In 1983 the method of computing the Index was changed from a price-weighted method to a market value method.
(2) Korean companies normally report earnings only on an annual basis. As a result, the earnings used to calculate price/earnings ratios may not be comparable to those customarily used in the United States. The figures do not include companies that recorded losses in the previous years.
(3) Dividend Yield is derived from a simple average method by dividing the sum of dividends per share for KSE-listed issues paying dividends during the period by the sum of closing per share prices of such issues. Price/Earnings Ratio, as published by the KSE, is derived from a simple average method by dividing the sum of closing prices for KSE-listed stocks by the sum of the earnings per share of the individual issues. Price/earnings ratios calculated pursuant to a weighted market value method (the customary method utilized in the United States) could indicate significantly higher ratios.
Source: Stock, July 1994, Korea Stock Exchange.
</TABLE>

Shares are quoted "ex-dividend" on the first trading day of the relevant company's accounting period. Since the calendar year is the accounting period for a large majority of all listed companies, this may account for the drop (if any) in the Index between its closing level at the end of one calendar year and its opening level at the beginning of the following calendar year.

Movements in individual company share prices are confined to fixed limits around the previous day's closing price. Such restrictions limit the maximum movement in the Index on any day. As a result, the quoted closing price of a listed security, if such closing price has been fixed by the limit, may not necessarily represent the price at which persons are willing to buy and to sell such security in the absence of such a limit.

<TABLE>
Movements in individual company share prices are confined to fixed limits around the previous day's closing price as set forth below.

<CAPTION>

PREVIOUS DAY'S CLOSING PRICE	FLUCTUATION LIMIT
(WON)	(WON)
<S>	<C>
Less than 3,000	100
3,000 to less than 5,000	200
5,000 to less than 7,000	300
7,000 to less than 10,000	400
10,000 to less than 15,000	600
15,000 to less than 20,000	800
20,000 to less than 30,000	1,000
30,000 to less than 40,000	1,300
40,000 to less than 50,000	1,600
50,000 to less than 70,000	2,000
70,000 to less than 100,000	2,500
100,000 to less than 150,000	3,000
150,000 to less than 200,000	4,000
200,000 to less than 300,000	6,000
300,000 to less than 400,000	8,000
400,000 to less than 500,000	10,000
500,000 or more	12,000

- ---------------
Note: The fluctuation limits are different for designated administered issues.

</TABLE>

<TABLE>

The aggregate market capitalization of all equity securities of the 693

companies listed on the KSE as of December 31, 1993 was approximately W 112.7 trillion (approximately U.S.$139.4 billion). Market capitalization, along with trading volume, is concentrated in a limited number of companies within a small number of industries. As of December 31, 1993, the 30 largest companies by market capitalization represented approximately 49.4% of the total market capitalization of Korean equity securities. The following table illustrates the 30 largest companies on the KSE by market capitalization on December 31, 1993.

<CAPTION>

COMPANY	MARKET CAPITALIZATION AT DECEMBER 31, 1993 (WON BILLIONS)	(U.S. $ MIL.)
<S>	<C>	<C>
Korea Electric Power Corporation	13,322.6	16,486.3
Pohang Iron & Steel Co., Ltd	5,002.5	6,190.5
Samsung Electronics Co., Ltd	3,428.5	4,242.7
Hyundai Motor	2,159.3	2,672.1
Goldstar Co., Ltd	1,926.1	2,383.5
Daewoo Securities Co., Ltd	1,699.6	2,103.2
Korea First Bank	1,560.0	1,930.5
Daewoo Corporation	1,554.5	1,923.7
Kia Motors Corporation	1,537.4	1,902.5
Korea Mobile Telecommunication	1,445.9	1,789.3
Yukong Ltd.	1,442.0	1,784.5
Shinhan Bank	1,403.5	1,736.8
Hanil Bank	1,372.8	1,698.8
Cho Hung Bank	1,352.0	1,673.1
Lucky Securities Co., Ltd	1,308.1	1,618.7
Daewoo Heavy Industry	1,297.9	1,606.1
Lucky	1,225.6	1,516.7
Hyundai Engineering & Construction	1,209.6	1,496.8
Bank of Seoul	1,205.1	1,491.3
The Korea Commercial Bank of Korea	1,118.0	1,383.5
Daishin Securities Co., Ltd	1,113.1	1,377.4
Dongsuh Securities Co., Ltd	1,112.5	1,376.7
SsangYong Refinery	985.5	1,219.5
Daewoo Electronics	951.9	1,178.0
Samsung Electron Devices	949.8	1,175.4
SsangYong Cement Industry	822.0	1,017.2
The Korea Long Term Credit Bank	815.3	1,008.9
Dong-A Construction Ind	804.9	996.0
Korean Air	783.7	969.8
SsangYong Investment & Securities Co., Ltd	728.5	901.4
Total	55,638.2	68,850.9

</TABLE>

<TABLE>
<CAPTION>

- ---------------
Note: (1) Under its articles of incorporation, each of KEPCO and POSCO provides for a 1% ceiling on the acquisition by a single foreign investor of its common shares.
Source: Factbook, 1994, Korea Stock Exchange.

</TABLE>

<TABLE>
The following table sets forth the market value, as of June 30, 1994, of companies listed on the KSE by industry category, as classified by the KSE.

<CAPTION>

INDUSTRIES	NUMBER OF COMPANIES	AGGREGATE MARKET VALUE IN BILLIONS OF WON	PERCENT OF TOTAL VALUE
<S>	<C>	<C>	<C>
Fishing	3	52.0	0.0
Mining	3	91.6	0.0
Foods and Beverages	47	2,738.9	2.1
Textiles and Wearing Apparel	61	4,550.0	3.5

Luggage, Handbags, Saddlery, Harness and Footwear	15	444.3	0.3
Wood and Wood Products	4	292.0	0.2
Paper and Paper Products	25	1,216.7	0.9
Publishing, Printing, Reproduction of Recorded Media	2	57.7	0.0
Chemicals and Chemical Products	104	11,330.0	8.8
Non-metallic Minerals	25	3,315.6	2.5
Basic Metal Industries	37	10,359.0	8.0
Fabricated Metal Products, Machinery and Equipment	151	26,993.7	21.0
Other Manufactured Products	10	380.0	0.2
Electricity and Gas	2	16,398.5	12.7
Construction	46	8,315.2	6.4
Wholesale Trade	43	5,255.5	4.0
Retail Trade	6	1,118.2	0.8
Hotels and Restaurants	1	225.1	0.1
Transport and Storage	15	2,002.9	1.5
Communication	2	2,978.4	2.3

</TABLE>

<TABLE>
<CAPTION>

INDUSTRIES	NUMBER OF COMPANIES	AGGREGATE MARKET VALUE IN BILLIONS OF WON	PERCENT OF TOTAL VALUE
<S>	<C>	<C>	<C>
Financial Institutions	77	28,333.9	22.0
Insurance	12	1,905.9	1.4
Recreational and Cultural Services	1	6.6	0.0
Total	692	128,361.7	100.0

- ---------------
Source: Stock, July 1994, Korea Stock Exchange.
</TABLE>

THE DEBT MARKET

The Korean listed bond market is less developed than the market for listed equity securities. The Korean bond market is comprised of corporate bonds issued by Korean corporations and public bonds including government bonds, municipal bonds issued by city governments and special bonds issued by government-run corporations. The majority of corporate bonds are guaranteed by banking institutions. As of June 30, 1994, the total amount of listed corporate bonds and listed public bonds was W 53.0 trillion and W 41.3 trillion, respectively.

The listing requirements for corporate bonds include, but are not limited to: (i) the capital stock of the issuer must equal or exceed W 500 million; (ii) the total face value amount issued must equal or exceed W 300 million; (iii) less than one year has passed since issuance; (iv) a total unredeemed amount of at least W 300 million at par value; (v) the issuer must be a listed or registered company; and (vi) the bonds must be offered publicly. The following table illustrates the total Won amount of all bond issues listed on the KSE for 1988 through 1993 and for 1994 through June 30.

<TABLE>

OUTSTANDING BOND ISSUES

<CAPTION>

YEAR	LISTED PUBLIC BONDS		LISTED CORPORATE BONDS		TOTAL LISTED BONDS	
	IN BILLIONS OF WON	IN MILLIONS OF U.S. DOLLARS	IN BILLIONS OF WON	IN MILLIONS OF U.S. DOLLARS	IN BILLIONS OF WON	IN MILLIONS OF U.S. DOLLARS
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1988	22,159	32,391	11,521	16,841	33,680	49,233
1989	28,095	41,340	15,395	22,653	43,490	63,994
1990	29,049	40,549	22,068	30,804	51,117	71,353
1991	32,250	42,390	29,241	38,435	61,491	80,824
1992	32,447	41,156	32,697	41,473	65,143	82,627
1993	41,359	51,181	37,574	46,497	78,932	97,676
As of June 30, 1994	52,978	65,770	41,296	51,268	94,274	117,038

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Source: Stock, July 1994, Korea Stock Exchange.
</TABLE>

Statistics are not regularly compiled with respect to unlisted public bonds, although there is a significant volume outstanding.

Until June 24, 1988, brokerage commissions were charged at a fixed rate of 0.3% for transactions in bonds. Since that date, brokerage commissions on transactions in debt securities may be negotiated up to a maximum of 0.3%. A further amendment to the regulations in June 1991 permits the KSE to alter the maximum commission rate from time to time. No transaction tax is levied on bond sales. Bonds may not be purchased on margin or sold short. For bonds, over-the-counter trading constitutes a substantially larger part of the overall bond trading market than trading on the KSE. In 1993, the value of bonds traded on the KSE was W 5.5 billion, while the value of bonds traded in the over-the-counter market was W 127,231.9 billion. The value of bonds traded on the KSE is set forth in the following table. The table does not include over-the-counter trading.

<TABLE>
TRADING VALUE OF BONDS
<CAPTION>

YEAR	PUBLIC SECTOR BONDS		CORPORATE SECTOR BONDS		TOTAL BONDS	
	IN BILLIONS OF WON	IN MILLIONS OF U.S. DOLLARS	IN BILLIONS OF WON	IN MILLIONS OF U.S. DOLLARS	IN BILLIONS OF WON	IN MILLIONS OF U.S. DOLLARS
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1988	7,001	10,234	1,545	2,258	8,545	12,491
1989	4,378	6,442	771	1,134	5,149	7,577
1990	2,455	3,427	795	1,110	3,250	4,537
1991	1,394	1,832	704	925	2,098	2,758
1992	453	575	152	193	605	767
1993	4	5	2	2	6	7
1994 through June 30	22	27	228	283	250	310

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Source: Stock, July 1994, Korea Stock Exchange.
</TABLE>

The number of bonds issues and the volume of issues outstanding have both increased. However, the total trading volume during 1993 decreased sharply to W 5.5 billion, about 1% of that of the previous year, while the volume in the over-the-counter market recorded an increase of 76% in its annual rate.

Set forth below is information indicating the average annual yields for various categories of bonds outstanding during the periods indicated.

<TABLE>
YIELDS ON BONDS
<CAPTION>

YEAR	GOVERNMENT BONDS	SPECIFIC LAWS BONDS		CORPORATE BONDS	
	COMPOUND BONDS	DISCOUNT BONDS	COMPOUND BONDS	COUPON BONDS	GUARANTEED	NON GUARANTEED
	(%)	(%)	(%)	(%)	(%)	(%)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1988	13.02	15.61	14.62	14.54	14.49	14.59
1989	14.39	15.92	15.40	15.41	15.23	15.29
1990	15.27	16.19	16.00	16.34	16.40	16.41
1991	16.70	18.47	18.26	18.37	18.84	18.73
1992	16.56	16.93	17.20	17.20	17.13	18.07
1993	--	13.69	--	--	14.07	--

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Source: Stock, July 1994, Korea Stock Exchange.
</TABLE>

OPTIONS AND FUTURES

Currently, the Korean securities markets do not provide mechanisms for the purchase and sale of options and futures contracts. The KSE has announced that stock index futures will be introduced in January 1996. Initially, however, foreigners may not be permitted to invest in such future contracts.

TRADING, SETTLEMENT AND ENTRUSTMENT DEPOSIT PROCEDURES

The KSE is open Monday through Friday for trading between 9:40 a.m. - 11:40 a.m. and 1:20 p.m. - 3:20 p.m. It is also open on Saturday mornings. The KSE has established a daily price change limitation schedule for shares traded on the KSE based on the previous day's closing price. See "The Secondary Markets - -- Equity Market -- Market Data." The KSE may suspend trading in the securities of an individual company in certain circumstances. Share transactions are

effected through accounts with one of the 32 securities companies which act as brokers, but which may also buy and sell as principals.

Currently, certain institutional investors, including the Fund, are required to make a 20% entrustment guarantee deposit in cash or substitute securities with their Korean broker prior to executing any trades. The Fund has entered into custody account arrangements with the Subcustodian and the Fund's brokers, whereby monies required to be advanced as the entrustment guarantee deposit will deposited, at a nominal interest rate,

with the Fund's brokers in accounts maintained by them at the Subcustodian on instructions to pay the broker on settlement day against the delivery of the relevant securities. To the extent that the Fund makes deposits with its brokers in advance of delivery of securities, the Fund will be exposed to the risk of the broker's insolvency prior to settlement. Although this risk cannot be eliminated, the Manager will monitor broker creditworthiness. A broker's insolvency could, nonetheless, cause the Fund to lose some or all of the entrustment deposit.

All orders are transmitted directly and individually to the floor or the Stock Market Automated Trading System ("SMATS") of the KSE via the computerized order-routing system. In cases where the ordered issues are designated for computerized trading, the system transmits the orders automatically to the SMATS. Almost all of the transactions on the KSE are executed by the SMATS, except a small number of issues designated as issues subject to manual matching. As of the end of 1993, SMATS encompassed 895 stock issues, accounting for 97.0% of the total trading volume. When a member firm inputs an order in the order-routing terminal located at its offices, the order, via the order-routing system, is fed directly into and recorded in the files of the SMATS by issue, price, and time of order. Then the order is matched automatically under the auction principle.

In the case of manually handled issues, however, the order-routing system generates printouts on its system printer located at the member booth on the floor of the KSE. Thereafter, floor representatives of a member firm submit the order slips to the KSE clerk in the post who is in charge of matching the issues concerned, who will match the best bid and offers according to the auction principle.

Opening prices are determined by all bids and offers received during the first five minutes of the trading session. The KSE has established procedures for block sales of shares.

All securities transactions on the KSE are settled and cleared through the Korea Securities Depository, a clearing and settlement agent of the KSE. Transactions are classified either as regular way transactions, for which settlement is due on the second business day following the day of contract, or as cash transactions which are due on the day of contract. Shares and beneficial certificates are traded as regular way transactions, while bonds may be traded either as regular way or cash transactions. The delivery and receipt of securities may be cleared by a book-entry clearing system of the Korea Securities Depository. In 1993, the total volume cleared was 5.53 billion shares, of which 5.394 billion were settled by way of book-entry deliveries.

TRANSACTION COSTS

Regulations of the KSE have established certain maximum brokerage commission rates for all transactions effected on the KSE. The rates currently provide for a commission of up to 0.6% for equity securities and up to 0.3% for bonds and beneficial certificates. Each individual broker may determine brokerage commissions within the established ranges. Each broker is required to report its commission rate schedule and any deviation therefrom to the KSE seven days prior to its application. Practically, there is generally no deviation in commission rate schedules among Korean brokers. The same commission rates are, in practice, applied to all trades in the same volume range. In addition, a securities transaction tax is levied on the seller for most transactions at a rate of 0.35% of the value of shares sold on the KSE and 0.5% of the value of the shares sold off the KSE. From July 1, 1994, a special agricultural and fishery tax is levied on the seller for most transactions at a rate of 0.15% of the value of shares sold on the KSE. For detailed information, see "Taxation -- Korean Taxes."

SECURITIES FINANCING

The Korea Securities Finance Corporation (the "KSFC"), which was established in 1955 to facilitate financing in the securities markets, is the only institution authorized to engage in business specializing in securities financing in Korea. The KSFC provides loans to underwriting groups and securities collateral loans to the public. In March 1986 the KSFC suspended credit extension for margin transactions as one measure to stabilize the securities markets. Korean securities companies may extend credit for margin

transactions and provide for their clients subscription loans, purchase loans and securities collateral financing by using their own resources or by borrowing from the KSFC.

The margin requirement as set by the KSE is 40% of the total of the sale or purchase order value of the securities. The margin requirements are varied by the KSE depending upon market conditions. Foreign investors, including the Fund, are not permitted to engage in margin transactions or enjoy the benefit of other loans or financing.

REGULATION

The MOF establishes the basic policies governing the overall operation of the Korean securities markets. Although the KSEC is authorized to regulate and make decisions on all major issues relating to the securities markets pursuant to the SEA, all decisions of the KSEC must be reported to the MOF. The MOF may repeal any decision of the KSEC or suspend its enforcement. The KSEC is composed of nine commissioners, one of whom is appointed as chairman by the President. The day-to-day management and implementation of the policies of the KSEC are conducted by the Securities Board.

The SEA was originally enacted in 1962 and amended fundamentally in 1976, 1982, 1987 and 1991 to broaden the scope and improve the effectiveness of official supervision of the securities markets. The 1987 amendment generally improved the regulatory and disclosure requirements under the SEA, established a more effective system for the transfer of securities through the use of a book-entry system without the need for physical delivery of securities certificates, and provided a statutory basis for futures trading on the KSE. As amended, the SEA introduced restrictions on insider trading, required that specified information be made available by listed companies to investors and established rules regarding margin trading, proxy solicitation and takeover bids. In addition, the 1987 amendments strengthened control over insider trading and contained extensive new provisions which, for the first time, regulated the investment advisory business. The 1991 amendments introduced stricter restrictions on insider trading and supplemented the existing disclosure system. The SEA and regulations promulgated thereunder currently require the initial registration of companies and the filing of separate registration statements for both initial and subsequent issues of securities and provide for the administration and supervision of securities companies, investment advisory companies, listed companies, and other securities-related institutions, including foreign securities firms conducting business in Korea and domestic securities companies conducting business abroad.

The SEA was amended most recently in January 1994, generally with effect from April 1, 1994, in order to de-regulate the securities markets by lifting the 10% individual limit on the acquisition of shares of a listed company (with effect from January 1, 1997) and permitting listed companies to hold their own shares subject to certain limitations, to improve the central depository system and securities dispute conciliation committee, to strengthen the reporting requirements imposed on shareholders holding 5% or more of the shares of a listed company and to extend to holders of non-voting shares the right to request the issuer to purchase their shares under certain circumstances, including at the time of a merger or business transfer. The amendments also provide detailed provisions for securities index futures transactions.

MANAGEMENT OF THE FUND

DIRECTORS AND OFFICERS

The names of the directors and principal officers of the Fund are set forth below, together with their positions and their principal occupations during the past five years and, in the case of the directors, their positions with certain other international organizations and publicly held companies.

<TABLE>
<CAPTION>

NAME AND ADDRESS	POSITION WITH FUND	PRINCIPAL OCCUPATION AND OTHER AFFILIATIONS
<S>	<C>	<C>
*Edward C. Johnson 3d FMR Corp. 82 Devonshire Street Mail Stop F5A Boston, MA 02109	Director and President	Chairman, Chief Executive Officer and a Director of FMR Corp.; Director and Chairman of the Board and of the Executive Committee of FMR; Chairman and a Director of FMR Texas Inc. (1989), Fidelity Management & Research (U.K.) Inc., and Fidelity Management &

		Research (Far East) Inc.; Director or Trustee and President of all other registered management investment companies advised by FMR, Chairman of Fidelity International Limited; Chairman of all other Funds in the Fidelity Group of International Funds.
*J. Gary Burkhead Fidelity Investments 82 Devonshire Street Mail Stop E14G Boston, MA 02109	Director and Senior Vice President	President of FMR; and President and a Director of FMR Texas Inc. (1989), Fidelity Management & Research (U.K.) Inc. and Fidelity Management & Research (Far East) Inc.; Director or Trustee and Senior Vice President of all other registered management investment companies managed by FMR.
Helmert Frans van den Hoven Marevista 35 2202 BX Noordwijk Aan Zee The Netherlands	Director	Former Member, Supervisory Board, Royal Dutch Petroleum Company; former Chairman, Supervisory Board ABN/Amro Bank (1992-1994) and of Unilever N.V. (1975-1984); Member, Supervisory Boards, Hunter Douglass and Vendex International; Director of a number of other funds in the Fidelity Group of International Funds; Director of Fidelity Advisor Emerging Asia Fund, Inc.
Bertram High Witham, Jr. 89 Fox Hill Road Stamford, CT 06903	Director	Chairman and Director, Villager Companies; Director, System Control Technology, Bill Glass Ministries; Trustee, Fidelity North Carolina Management Fund; former Treasurer, IBM Co. (1973-1978); Director of Fidelity Advisor Emerging Asia Fund, Inc.

</TABLE>

<TABLE>
<CAPTION>

NAME AND ADDRESS	POSITION WITH FUND	PRINCIPAL OCCUPATION AND OTHER AFFILIATIONS
<S>	<C>	<C>
David L. Yunich W.R. Grace & Company 1114 Avenue of the Americas New York, NY 10036	Director	Director and Consultant, W.R. Grace & Company (1977-present); Director, New York Racing Association (1977-present); former Director, Prudential Insurance Company of America (1955-1991); Director, River Bank America (1964-present); former Director, NYNEX Corporation (1970-1990); Trustee, Saratoga Performing Arts Center, Boy Scouts of America, and Carnegie Hall; former President, Vice Chairman and Director, R.H. Macy & Company (1955-1978), Director of Fidelity Advisor Emerging Asia Fund, Inc.
William Ebsworth Fidelity Investments Management (H.K.) Ltd. 16th Floor Citibank Tower 3 Garden Road Central, Hong Kong	Vice President	Chief Investment Officer, Fidelity Investments (Hong Kong) (1991-present); Director, Fidelity Investments Management (H.K.) Ltd.; Research Director, Fidelity Investments (Hong Kong) (1990-1991); Fund Manager, Fidelity Investments (Boston and Tokyo) (1986-1990); Vice President of Fidelity Advisor Emerging Asia Fund, Inc.

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<TABLE>

<S>	<C>	<C>
Billy W. Wilder Fidelity Management & Research (Far East) Shiroyama JT Mori Building 19th Floor 4-3-1 Toranomon, Minato-ku Tokyo 105 Japan	Vice President	Director of Research, Fidelity Management & Research (Far East) (1992-present); Director of Research and General Manager, Schroder Securities (Japan), Ltd. (1988-1992); Senior Analyst, Schroder Securities (Japan), Ltd. (1986-1988); Manager, Impedance

		Analysis Equipment Marketing, Yokogawa-Hewlett-Packard, Ltd. (1979-1986).
Arthur S. Loring Fidelity Investments 82 Devonshire Street Mail Stop F5C Boston, MA 02109	Secretary	Senior Vice President and General Counsel of FMR; Vice President -- Legal of FMR Corp.; Vice President and Clerk of Fidelity Distributors Corporation; Secretary of all other registered management investment companies managed by FMR.

</TABLE>

<TABLE>
<CAPTION>

NAME AND ADDRESS	POSITION WITH FUND	PRINCIPAL OCCUPATION AND OTHER AFFILIATIONS
<S>	<C>	<C>
Gary L. French Fidelity Investments 82 Devonshire Street Mail Stop D8 Boston, MA 02109	Treasurer	Treasurer of all other registered management investment companies managed by FMR; Senior Vice President, Fund Accounting, Fidelity Accounting & Custody Services Co. (1991); Vice President, Fund Accounting, Fidelity Accounting & Custody Services Co. (1990); Senior Vice President, Chief Financial and Operations Officer, Huntington Advisers, Inc. (1985-1990).
Stuart E. Fross Fidelity Investments 82 Devonshire Street Mail Stop F5H Boston, MA 02109	Assistant Secretary	An employee of FMR Corp. (1990-present); Associate, Dechert Price & Rhoads (law firm) (1987-1990); Assistant Secretary of Fidelity Advisor Emerging Asia Fund, Inc.
John Costello Fidelity Investments 82 Devonshire Street Mail Stop D8 Boston, MA 02109	Assistant Treasurer	Assistant Treasurer of all other registered management investment companies managed by FMR and an employee of FMR Co.
Leonard M. Rush Fidelity Investments 82 Devonshire Street Mail Stop D8 Boston, MA 02109	Assistant Treasurer	An employee of FMR Co.

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* Director who is an "interested person" of the Fund within the meaning of the 1940 Act.

Directors who are not "interested persons" (as defined in the 1940 Act) of the Investment Manager, the Investment Adviser or the Sub-Adviser will be paid a fee of $7,000 per year, plus up to $1,500 for every meeting of the Board attended and $1,000 as an annual committee meeting fee. All directors will be reimbursed for travel and out-of-pocket expenses incurred in connection with meetings of the Board of Directors.

The officers of the Fund conduct and supervise the daily business operations of the Fund, while the directors, in addition to their functions set forth elsewhere under "Management of the Fund," review such actions and decide on general policy.

The Fund also has an Audit Committee composed currently of Messrs. van den Hoven, Witham and Yunich.

In addition, at the Fund's first annual stockholders meeting, the Board of Directors will be classified into three classes, each with a term of three years with only one class of directors standing for election in any year. Such classification may prevent replacement of a majority of the directors for up to a two-year period while the classification is in effect. Commencing on the date of the annual meeting of stockholders in the year 2000, the Board of Directors will no longer be divided into classes and each director will stand for election at such meeting and at each annual meeting of stockholders held thereafter.

The Articles of Incorporation and By-Laws of the Fund provide that the Fund will indemnify its directors and officers and will indemnify employees or agents

of the Fund against liabilities and expenses incurred in connection with litigation in which they may be involved because of their offices with the Fund to the fullest extent permitted by law. Under Maryland law, a corporation may indemnify any director or officer made a

party to any proceeding by reason of service in that capacity unless it is established that (1) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (A) was committed in bad faith or (B) was the result of active and deliberate dishonesty; (2) the director or officer actually received an improper personal benefit in money, property or services; or (3) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. In addition, the Fund's Articles of Incorporation provide that the Fund's directors and officers will not be liable to shareholders for money damages, except in limited instances. Under Maryland law, a corporation may restrict or limit the liability of directors or officers to the corporation or its stockholders for money damages, except to the extent that (1) it is proved that the person actually received an improper benefit or profit in money, property, or services, or (2) a judgment or other final adjudication adverse to the person is entered in a proceeding based on a finding in the proceeding that the person's action, or failure to act, was the result of active and deliberate dishonesty and was material to the cause of action adjudicated in the proceeding. However, nothing in the Articles of Incorporation, or By-Laws of the Fund protects or indemnifies a director, officer, employee or agent against any liability to which he would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office.

The Fund's Articles of Incorporation and By-Laws provide that the Fund's Board of Directors has the sole power to adopt, alter or repeal the Fund's By-Laws.

INVESTMENT MANAGER, INVESTMENT ADVISER AND SUB-ADVISER

The Investment Manager is Fidelity Management & Research Company. Pursuant to a management agreement (the "Management Agreement") between the Fund and the Investment Manager, the Investment Manager will supervise the Fund's investment program. The Investment Manager will consult with the Investment Adviser and the Sub-Adviser on a regular basis regarding the Investment Adviser's and the Sub-Adviser's decisions concerning the purchase, sale or holding of particular securities. In addition to the foregoing, the Investment Manager will monitor the performance of the Fund's service providers, including the Fund's administrator, transfer agent and custodian. The Investment Manager will pay the reasonable salaries and expenses of such of the Fund's officers and employees and any fees and expenses of such of the Fund's directors who are directors, officers or employees of the Investment Manager, except that the Fund may bear travel expenses or an appropriate portion thereof of directors and officers of the Fund who are directors, officers or employees of the Investment Manager to the extent that such expenses relate to attendance at meetings of the Board of Directors or any committees thereof.

Pursuant to an investment advisory agreement (the "Advisory Agreement") among the Investment Manager, the Investment Adviser and the Fund, the Investment Adviser is responsible on a day-to-day basis for investing the Fund's portfolio in accordance with its investment objective, policies and limitations. The Investment Adviser has discretion over investment decisions for the Fund and, in that connection, will place purchase and sale orders for the Fund's portfolio securities. The Advisory Agreement authorizes delegation of these responsibilities to the Sub-Adviser. Pursuant to a Sub-Advisory Agreement (the "Sub-Advisory Agreement"), the Investment Adviser has delegated certain of its responsibilities for the day-to-day management of the Fund to the Sub-Adviser which will manage the Fund's portfolio through its Tokyo office. Edward S.J. Bang will be primarily responsible for the day-to-day management of the Fund's portfolio. Mr. Bang will work with a team of professionals in Japan in managing the Fund's portfolio. Mr. Bang has served as a Korean analyst for various Fidelity funds since September 1993. He currently oversees approximately U.S.$290 million of Korean equities for such funds. Mr. Bang joined Fidelity Investments in August 1991, after graduating from the Wharton School, University of Pennsylvania. Mr. Bang was initially a senior analyst covering four sectors in the Japanese stock market. In September 1993, he was assigned to cover the Korean stock market. Prior to studying at Wharton and joining Fidelity Investments, Mr. Bang worked at The Boston Company's Institutional Investors Group, managing pension portfolios in the U.S. stock market. In addition, the Investment Adviser will make available research and statistical data to the Fund. The Investment Adviser and the Sub-Adviser will pay the reasonable salaries and expenses of such of the Fund's officers and employees and any fees and expenses of such of the Fund's directors who are directors, officers or employees

of the Investment Adviser or the Sub-Adviser, except that the Fund may bear travel expenses or an appropriate portion thereof of directors and officers of the Fund who are directors, officers or employees of the Investment Adviser or the Sub-Adviser to the extent that such expenses relate to attendance at meetings of the Board of Directors or any committees thereof.

Fidelity investment personnel may invest in securities for their own account pursuant to a code of ethics that establishes procedures for personal investing and restricts certain transactions. For example, all personal trades require pre-clearance, and participation in initial public offerings are prohibited. In addition, restrictions on the timing of personal investing relative to trades by Fidelity funds and on short-term trading have been adopted. Personal investing is monitored to protect shareholders' interests.

Investment Manager. Fidelity Management & Research Company will act as Investment Manager of the Fund. The Fidelity investment management organization was established in 1946. Today, the Fidelity organization is the largest mutual fund company in the United States, and is known as an innovative provider of high quality financial services to individuals and institutions. In addition to its mutual fund business, the Fidelity organization operates one of the leading discount brokerage firms in the United States, Fidelity Brokerage Services, Inc. As of August 31, 1994, the Investment Manager, the Investment Adviser, the Sub-Adviser and their affiliates had over $270 billion under management, of which more than $35 billion was invested in non-U.S. securities (including over $15 billion in Asian securities, over $550 million in Korean securities and over $7 billion managed from Asian offices). The Fidelity organization employs over 375 investment professionals worldwide. The Investment Manager also manages the Fidelity Advisor Emerging Asia Fund, Inc., a closed-end investment company.

The Investment Manager, together with the Investment Adviser, the Sub-Adviser and its other affiliates, has extensive research capabilities both worldwide, with over 300 investment professionals, as of August 31, 1994 and within the Asian region, and maintains offices in Hong Kong, Singapore, Taiwan and Tokyo which were staffed by 35 investment professionals. The Sub-Adviser, through its Tokyo office researches and screens for investment potential in Korean Issuers through management contacts and on-site visits. In 1993, Fidelity conducted over 170 company visits in Korea.

FMR Corp. is the ultimate parent company of the Investment Manager. Through ownership of voting common stock, members of the Edward C. Johnson 3d family form a controlling group with respect to FMR Corp. Changes may occur in the Johnson family group, through death or disability, which would result in changes in each individual family member's holding of FMR Corp. stock. Such changes could result in one or more family members becoming holders of over 25% of such stock. FMR Corp. has received an opinion of special counsel that changes in the composition of the Johnson family group under these circumstances would not result in the termination of the Fund's management or distribution contracts and, accordingly, would not require a shareholder vote to continue operation under those contracts.

The Investment Manager's main offices are located at 82 Devonshire Street, Boston, Massachusetts 02109.

Investment Adviser. Fidelity International Investment Advisors, the Fund's Investment Adviser and an affiliate of the Investment Manager, has delegated certain of its responsibilities for providing discretionary portfolio management services to the Sub-Adviser. The Investment Adviser may, however, elect to manage the portfolios directly through the Investment Adviser's office in Hong Kong. The Investment Adviser is an investment adviser registered under the Investment Advisers Act of 1940 and was organized in 1983 under the laws of Bermuda. The Investment Adviser primarily provides investment advisory services to U.S. investment companies investing throughout the world. The Investment Adviser is a 98% owned subsidiary of Fidelity International Limited ("FIL"), although it is contemplated that the Investment Adviser will become a 100% owned subsidiary of FIL. The Investment Adviser's and FIL's main offices are located at Pembroke Hall, 42 Crow Lane, Pembroke, Bermuda.

FIL is a Bermuda company formed in 1968 which primarily provides investment advisory services to non-U.S. investment companies and institutional investors investing in securities of issuers throughout the world.

More than 25% of the voting stock of FIL is owned directly or indirectly by Edward C. Johnson 3d and trusts for the benefits of Johnson family members.

Sub-Adviser. Fidelity Investments Japan Limited ("FIJ"), the Sub-Adviser, will, acting upon delegation by the Investment Adviser, provide advisory services concerning the Fund's assets invested in Japanese and other securities and will be primarily responsible for the day-to-day management of the Fund's portfolio. The Sub-Adviser is an affiliate of the Investment Manager and the Investment Adviser and is registered as an investment adviser under the Investment Advisers Act of 1940. The Sub-Adviser was formed on November 17, 1986 under the laws of Japan and its main offices are located at 19th Floor, Shiroyama JT Mori Building, 4-3-1 Toranomon, Minato-ku, Tokyo 105, Japan. It is a wholly-owned subsidiary of FIL.

COMPENSATION AND EXPENSES

As compensation for its services, the Investment Manager will receive from the Fund a monthly fee at an annual rate of 1.00% of the Fund's average daily net assets. The Investment Adviser will receive from the Investment Manager 60% of the fees paid by the Fund to the Investment Manager. The Sub-Adviser will receive from the Investment Adviser a fee equal to 50% of the fee paid to the Investment Adviser with respect to any assets managed by the Sub-Adviser on a discretionary basis and 30% of the fee paid to the Investment Adviser with respect to any assets managed by the Sub-Adviser on a non-discretionary basis. Currently, the Sub-Adviser has been delegated full discretion to manage the entire portfolio.

Except for the expenses borne by the Investment Manager, the Investment Adviser or the Sub-Adviser pursuant to the Management Agreement, the Advisory Agreement and the Sub-Advisory Agreement, the Fund will pay or cause to be paid all of its expenses including, among other things: organizational and offering expenses (which will include out-of-pocket expenses, but not overhead or employee costs, of the Investment Manager, the Investment Adviser and the Sub-Adviser); expenses for legal, accounting and auditing services; taxes and governmental fees; dues and expenses incurred in connection with membership in investment company organizations; fees and expenses incurred in connection with listing the Fund's shares on any stock exchange; costs of printing and distributing shareholder reports, proxy materials, prospectuses, offering circulars, stock certificates and distributions of dividends; charges of the Fund's custodians, sub-custodians, registrars, transfer agents, dividend disbursing agents and dividend reinvestment plan agents; payment for portfolio pricing services to a pricing agent, if any; registration and filing fees of the SEC; expenses of registering or qualifying securities of the Fund for sale in the various states; freight and other charges in connection with the shipment of the Fund's portfolio securities; fees and expenses of non-interested directors; costs of shareholders' meetings; insurance; interest; brokerage costs; and litigation and other extraordinary or nonrecurring expenses. The Fund will also reimburse the Underwriters for certain of their expenses up to $200,000. See "Underwriting."

DURATION AND TERMINATION; NON-EXCLUSIVE SERVICES

Unless earlier terminated as described below, each of the Management Agreement, the Advisory Agreement and the Sub-Advisory Agreement will remain in effect until October 24, 1996 and from year to year thereafter if approved annually (i) by a majority of the non-interested directors of the Fund and (ii) by the Board of Directors of the Fund or by a majority of the outstanding voting securities of the Fund. The Management Agreement may be terminated upon 60 days' written notice without penalty by the Fund's Board of Directors or by vote of a majority of the outstanding voting securities of the Fund or by the Investment Manager and will terminate in the event it is assigned (as defined in the 1940 Act). The Advisory Agreement may be terminated upon 60 days' written notice without penalty by the Fund's Board of Directors or by vote of a majority of the outstanding voting securities of the Fund or by the Investment Manager and will terminate in the event it is assigned (as defined in the 1940 Act). The Sub-Advisory Agreement may be terminated upon 60 days written notice without penalty by the Fund's Board of Directors or by vote of a majority of the outstanding voting securities of the Fund or by the Investment Adviser or the Sub-Adviser and will terminate in the event it is assigned (as defined in the 1940 Act).

The services of the Investment Manager, the Investment Adviser and the Sub-Adviser are not deemed to be exclusive, and nothing in the relevant service agreements will prevent any of them or their affiliates from providing similar services to other investment companies and other clients (whether or not their investment objectives and policies are similar to those of the Fund) or from engaging in other activities.

ADMINISTRATION

Fidelity Service Co. ("Service"), a division of FMR Corp., will serve as the Fund's administrator pursuant to an agreement with the Fund (the "Administration Agreement"). As compensation for its services, Service will receive from the Fund monthly fees at an annual rate of .20% of the Fund's average daily net assets. Service is located at 82 Devonshire Street, Boston, MA 02109.

Service performs various administrative services, including providing the Fund with the services of persons to perform administrative and clerical functions, maintenance of the Fund's books and records, pricing and securities lending services, preparation of various filings, reports, statements and returns filed with government authorities, and preparation of financial information for the Fund's proxy statements and semiannual and annual reports to shareholders.

PORTFOLIO TRANSACTIONS

The Fund has no obligation to deal with any brokers or dealers in the execution of transactions in portfolio securities. Subject to policies established by the Fund's Board of Directors, the Investment Adviser has delegated to the Sub-Adviser primary responsibility for the Fund's portfolio decisions and the placing of the Fund's portfolio transactions.

All orders for the purchase or sale of portfolio securities will be placed on behalf of the Fund by the Sub-Adviser pursuant to authority contained in the Sub-Advisory Agreement or by the Investment Adviser pursuant to authority contained in the Investment Advisory Agreement. The Investment Adviser and the Sub-Adviser also will be responsible for the placement of transaction orders for other investment companies and accounts for which either of them or their affiliates act as investment adviser. In selecting broker-dealers, subject to applicable limitations of the federal securities laws, the Investment Adviser and the Sub-Adviser will consider various relevant factors, including, but not limited to the size and type of the transaction; the nature and character of the markets for the security to be purchased or sold; the execution efficiency, settlement capability, and financial condition of the broker-dealer firm; the broker-dealer's execution services rendered on a continuing basis; the reasonableness of any commissions and arrangements for payment of Fund expenses. The Fund anticipates that its portfolio transactions involving securities of companies domiciled in Korea will be conducted primarily on the KSE and in foreign OTC transactions. Commissions for foreign investments traded on the KSE will generally be higher than for U.S. investments and may not be subject to negotiation.

The Fund may execute portfolio transactions with broker-dealers who provide research and execution services to the Fund or other accounts over which the Investment Adviser, the Sub-Adviser or their affiliates exercise investment discretion. Such services may include advice concerning the value of securities; the advisability of investing in, purchasing, or selling securities; the availability of securities or the purchasers or sellers of securities; furnishing analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy, and performance of accounts; and effecting securities transactions and performing functions incidental thereto (such as clearance and settlement). The selection of such broker-dealers generally is made by the Investment Adviser or Sub-Adviser, (to the extent possible consistent with execution considerations) in accordance with a ranking of broker-dealers determined periodically by the Investment Adviser's or Sub-Adviser's investment staff based upon its assessment of the quality of research and execution services provided.

The receipt of research from broker-dealers that execute transactions on behalf of the Fund may be useful to the Investment Adviser or the Sub-Adviser in rendering investment management services to the Fund or their other clients, and conversely, such information provided by broker-dealers who have executed transaction orders on behalf of other Investment Adviser or Sub-Adviser clients may be useful to the Investment Adviser or Sub-Adviser in carrying out their obligations to the Fund. The receipt of such research will not reduce the Investment Adviser's or the Sub-Adviser's normal independent research activities; however, it will enable the Investment Adviser and the Sub-Adviser to avoid the additional expenses that could be incurred if the Investment Adviser and the Sub-Adviser tried to develop comparable information through their own efforts.

Subject to applicable limitations of the federal securities laws, broker-dealers may receive commissions for agency transactions that are in excess of the amount of commissions charged by other broker-dealers in recognition of their research and execution services. In order to cause the Fund to pay such higher commissions, the Investment Adviser or the Sub-Adviser must determine in good faith that such commissions are reasonable in relation to the

value of the brokerage and research services provided by such executing broker-dealers, viewed in terms of a particular transaction or the Investment Adviser's or the Sub-Adviser's overall responsibilities to the Fund and their other clients. In reaching this determination, the Investment Adviser and the Sub-Adviser will not attempt to place a specific U.S. dollar value on the brokerage and research services provided, or to determine what portion of the compensation should be related to those services.

The Investment Adviser and the Sub-Adviser are authorized to use research services provided by and to place portfolio transactions with brokerage firms that have provided assistance in the distribution of shares of the Fund or shares of other Fidelity funds to the extent permitted by law. The Investment Adviser and the Sub-Adviser may use research services provided by and place agency transactions with Fidelity Brokerage Services, Inc. ("FBSI") and Fidelity Brokerage Services, Ltd. ("FBSL"), subsidiaries of FMR Corp., if the commissions are fair, reasonable, and comparable to commissions charged by non-affiliated, qualified brokerage firms for similar services.

The Investment Adviser and the Sub-Adviser may allocate brokerage transactions to the Fund's custodians, acting as a broker-dealer, or the other broker-dealers who have entered into arrangements with the Investment Manager, the Investment Adviser or the Sub-Adviser under which the broker-dealer allocates a portion of the commissions paid by the Fund toward payment of the Fund's expenses, such as transfer agency fees or custodian fees. The transaction quality must, however, be comparable to those of other qualified broker-dealers and the commissions comparable to those of other broker-dealers, when the broker-dealer will allocate a portion of the commissions paid to payment of the Fund's expenses.

Section 11(a) of the Securities Exchange Act of 1934 prohibits members of national securities exchanges from executing exchange transactions for accounts which they or their affiliates manage, except if certain requirements are satisfied. Pursuant to such requirements, the Board of Directors has authorized FBSI to effect Fund portfolio transactions on national securities exchanges in accordance with approved procedures and applicable SEC rules.

The Board of Directors periodically will review the Investment Adviser's and the Sub-Adviser's performance of their responsibilities in connection with the placement of portfolio transactions on behalf of the Fund and review the commissions paid by the Fund over representative periods of time to determine if they are reasonable in relation to the benefits to the Fund.

The Investment Adviser may, in its sole discretion and without a shareholder vote, terminate its delegation to the Sub-Adviser of some or all of its responsibilities with respect to portfolio transactions. If this were to occur the Investment Adviser would perform these responsibilities directly under the Investment Advisory Agreement in the manner described herein.

From time to time the Board of Directors will review whether the recapture for the benefit of the Fund of some portion of the brokerage commissions or similar fees paid by the Fund on portfolio transactions is legally permissible and advisable. The Fund seeks to recapture soliciting broker-dealer fees on the tender of portfolio securities, but at present no other recapture arrangements are in effect. The Board of Directors intends to continue to review whether recapture opportunities are available and are legally permissible and, if so, to determine in the exercise of their business judgment, whether it would be advisable for the Fund to seek such recapture.

Investment decisions for the Fund are made independently from those for other funds and accounts advised or managed by the Investment Adviser or the Sub-Adviser. When two or more funds or accounts managed by the Investment Adviser or the Sub-Adviser are simultaneously engaged in the purchase or sale of the same security, the prices and amounts are allocated in accordance with a formula considered by the Investment Adviser or the Sub-Adviser to be equitable to each fund. In some cases this system could adversely affect the size of the position obtained for or disposed of by the Fund and could have a detrimental effect on the price or value of a security as far as the Fund is concerned. In other cases, however, the ability of the Fund to participate in volume transactions will produce better executions and prices for the Fund. In addition, because of different investment objectives, a particular security may be purchased for one or more funds or accounts when one or more funds or accounts are selling the same security. It is the current opinion of the Board of Directors that the desirability of retaining FIIA and FIJ as Investment Adviser and Sub-Adviser, respectively, to the Fund outweighs any disadvantages that may be said to exist from exposure to simultaneous transactions.

It is expected that the annual portfolio turnover rate of the Fund will not normally exceed 150%. The portfolio turnover rate is calculated by dividing the lesser of sales or purchases of portfolio securities by the average monthly value of the Fund's portfolio securities. For purposes of this calculation, portfolio securities exclude all securities having a maturity when purchased of

one year or less.

DIVIDENDS AND DISTRIBUTIONS; DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

The Fund intends to distribute annually to shareholders substantially all of its net investment income, and to distribute any net realized capital gains at least annually. Net investment income for this purpose is income other than net realized long-and short-term capital gains net of expenses.

Pursuant to the Dividend Reinvestment and Cash Purchase Plan (the "Plan"), shareholders whose shares of Common Stock are registered in their own names may elect to have all distributions automatically reinvested by State Street Bank and Trust Company (the "Plan Agent") in Fund shares pursuant to the Plan. Shareholders who do not elect to participate in the Plan will receive distributions in cash paid by check in U.S. dollars mailed directly to the shareholder by State Street Bank and Trust Company, as dividend paying agent. In the case of shareholders, such as banks, brokers or nominees, that hold shares for others who are beneficial owners, the Plan Agent will administer the Plan on the basis of the number of shares certified from time to time by the shareholders as representing the total amount registered in such shareholders' names and held for the account of beneficial owners that have not elected to receive distributions in cash. Investors that own shares registered in the name of a bank, broker or other nominee should consult with such nominee as to participation in the Plan through such nominee, and may be required to have their shares registered in their own names in order to participate in the Plan.

The Plan Agent serves as agent for the shareholders in administering the Plan. If the directors of the Fund declare an income dividend or a capital gains distribution payable either in the Fund's Common Stock or in cash, nonparticipants in the Plan will receive cash and participants in the Plan will receive Common Stock, to be issued by the Fund or purchased by the Plan Agent in the open market, as provided below. If the market price per share on the valuation date equals or exceeds net asset value per share on that date, the Fund will issue new shares to participants at net asset value; provided, however, if the net asset value is less than 95% of the market price on the valuation date, then such shares will be issued at 95% of the market price. The valuation date will be the dividend or distribution payment date or, if that date is not a New York Stock Exchange trading day, the next preceding trading day. If net asset value exceeds the market price of Fund shares at such time, or if the Fund should declare an income dividend or capital gains distribution payable only in cash, the Plan Agent will, as agent for the participants, buy Fund shares in the open market, on the New York Stock Exchange or elsewhere, for the participants' accounts on, or shortly after, the payment date. If, before the Plan Agent has completed its purchases, the market price exceeds the net asset value of a Fund share, the average per share purchase price paid by the Plan Agent may exceed the net asset value of the Fund's shares, resulting in the acquisition of fewer shares than if the distribution had been paid in shares issued by the Fund on the dividend payment date. Because of the foregoing difficulty with respect to open-market purchases, the Plan provides that if the Plan Agent is unable to invest the full dividend amount in open-market purchases during the purchase period or if the market discount shifts to a market premium during the purchase period, the Plan Agent will cease making open-market purchases and will receive the uninvested portion of the dividend amount in newly issued shares at the close of business on the last purchase date.

Participants have the option of making additional cash payments to the Plan Agent, annually, in any amount from $100 to $3,000, for investment in the Fund's Common Stock. The Plan Agent will use all such funds received from participants to purchase Fund shares in the open market on or about February 15. Any voluntary cash payment received more than 30 days prior to this date will be returned by the Plan Agent, and interest will not be paid on any invested cash payment. To avoid unnecessary cash accumulations, and also to allow ample time for receipt and processing by the Plan Agent, it is suggested that participants send in voluntary cash payments to be received by the Plan Agent approximately ten days before an applicable purchase date specified above. A participant may withdraw a voluntary cash payment by written notice, if the notice is received by the Plan Agent not less than 48 hours before such payment is to be invested.

The Plan Agent maintains all shareholder accounts in the Plan and furnishes written confirmations of all transactions in an account, including information needed by shareholders for personal and tax records. Shares

in the account of each Plan participant will be held by the Plan Agent in the name of the participant, and each shareholder's proxy will include those shares purchased pursuant to the Plan.

There is no charge to participants for reinvesting dividends or capital gains distributions or voluntary cash payments. The Plan Agent's fees for the reinvestment of dividends and capital gains distributions and voluntary cash payments will be paid by the Fund. There will be no brokerage charges with respect to shares issued directly by the Fund as a result of dividends or capital gains distributions payable either in stock or in cash. However, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent's open market purchases in connection with the reinvestment of dividends and capital gains distributions and voluntary cash payments made by the participant. Brokerage charges for purchasing small amounts of stock for individual accounts through the Plan are expected to be less than the usual brokerage charges for such transactions, because the Plan Agent will be purchasing stock for all participants in blocks and prorating the lower commission thus attainable.

The receipt of dividends and distributions under the Plan will not relieve participants of any income tax which may be payable on such dividends or distributions. See "Taxation."

Experience under the Plan may indicate that changes in the Plan are desirable. Accordingly, the Fund and the Plan Agent reserve the right to terminate the Plan as applied to any voluntary cash payments made and any dividend or distribution paid subsequent to notice of the termination sent to members of the Plan at least 30 days before the record date for such dividend or distribution. The Plan also may be amended by the Fund or the Plan Agent, but (except when necessary or appropriate to comply with applicable law, rules or policies of a regulatory authority) only by at least 30 days' written notice to participants in the Plan. All correspondence concerning the Plan should be directed to the Plan Agent at Two Heritage Drive, Quincy, Massachusetts 02171.

TAXATION

U.S. FEDERAL INCOME TAXES

The Fund intends to elect to qualify as a regulated investment company under the Code. To so qualify the Fund must, among other things: (a) derive at least 90% of its gross income from dividends, interest, payment with respect to securities loans, gains from the sale or other disposition of stock or securities and gains from the sale or other disposition of foreign currencies, or other income (including gains from options, futures contracts and forward contracts) derived with respect to the Fund's business of investing in stocks, securities or currencies; (b) derive less than 30% of its gross income from the sale or other disposition of the following assets held for less than three months -- (i) stock and securities, (ii) options, futures and forward contracts (other than options, futures and forward contracts on foreign currencies), and (iii) foreign currencies (and options, futures and forward contracts on foreign currencies) which are not directly related to the Fund's principal business of investing in stocks and securities (or options and futures with respect to stock or securities); and (c) diversify its holdings so that, at the end of each quarter, (i) at least 50% of the value of the Fund's total assets is represented by cash and cash items, U.S. Government securities, securities of other regulated investment companies, and other securities, with such other securities limited in respect of any one issuer to an amount not greater in value than 5% of the Fund's total assets and to not more than 10% of the outstanding voting securities of such issuer, and (ii) not more than 25% of the value of the Fund's total assets is invested in the securities (other than U.S. Government securities or securities of other regulated investment companies) of any one issuer or of any two or more issuers that the Fund controls and that are determined to be engaged in the same business or similar or related businesses.

As a regulated investment company, the Fund will not be subject to U.S. federal income tax on its investment company taxable income that it distributes to its shareholders, provided that at least 90% of its investment company taxable income for the taxable year is distributed to its shareholders; however, the Fund will be subject to tax on its income and gains to the extent that it does not distribute to its shareholders an amount equal to such income and gains. See "Passive Foreign Investment Companies" below. Investment company taxable income includes dividends, interest and net short-term capital gains in excess of net long-

term capital losses, but does not include net long-term capital gains in excess of net short-term capital losses. The Fund intends to distribute annually to its shareholders substantially all of its investment company taxable income. If necessary, the Fund may borrow money temporarily or liquidate assets to make such distributions. Dividend distributions of investment company taxable income (including distributions from short-term capital gains) are taxable to a U.S. shareholder as ordinary income to the extent of the Fund's current and accumulated earnings and profits, whether paid in cash or in shares. Since the Fund will not invest in the stock of domestic corporations, distributions to corporate shareholders of the Fund will not be entitled to the deduction for dividends received by corporations. If the Fund fails to satisfy the 90%

distribution requirement or fails to qualify as a regulated investment company in any taxable year, it will be subject to tax in such year on all of its taxable income, whether or not the Fund makes any distributions to its shareholders.

As a regulated investment company, the Fund also will not be subject to U.S. federal income tax on its net long-term capital gains, if any, that it distributes to its shareholders. If the Fund retains for reinvestment or otherwise an amount of such net long-term capital gains, it will be subject to a tax of up to 35% of the amount retained. The Board of Directors of the Fund will determine at least once a year whether to distribute any net long-term capital gains in excess of net short-term capital losses and capital loss carryovers from prior years. The Fund expects to designate amounts retained as undistributed capital gains in a notice to its shareholders who, if subject to U.S. federal income taxation on long-term capital gains, (a) will be required to include in income for U.S. federal income tax purposes, as long-term capital gains, their proportionate shares of the undistributed amount, and (b) will be entitled to credit against their U.S. federal income tax liabilities their proportionate shares of the tax paid by the Fund on the undistributed amount and to claim refunds to the extent that their credits exceed their liabilities. For U.S. federal income tax purposes, the basis of shares owned by a shareholder of the Fund will be increased by an amount equal to 65% of the amount of undistributed capital gains included in the shareholder's income. Distributions of net long-term capital gains, if any, by the Fund are taxable to its shareholders as long-term capital gains whether paid in cash or in shares and regardless of how long the shareholder has held the Fund's shares. Such distributions of net long-term capital gains are not eligible for the dividends received deduction. Under the Code, net long-term capital gains will be taxed at a rate no greater than 28% for individuals and 35% for corporations. Shareholders will be notified annually as to the U.S. federal income tax status of their dividends and distributions.

Shareholders receiving dividends or distributions in the form of additional shares pursuant to the Plan should be treated for U.S. federal income tax purposes as receiving a distribution in an amount equal to the amount of money that the shareholders receiving cash dividends or distributions will receive, and should have a cost basis in the shares equal to such amount.

If the net asset value of shares is reduced below a shareholder's cost as a result of a distribution by the Fund, the distribution will be taxable even if it, in effect, represents a return of invested capital. Investors considering buying shares just prior to a dividend or capital gain distribution payment date should be aware that, although the price of shares purchased at that time may reflect the amount of the forthcoming distribution, those who purchase just prior to the record date for a distribution will receive a distribution which will be taxable to them. The amount of capital gains realized and distributed (which from an investment standpoint may represent a partial return of capital rather than income) in any given year will be the result of investment performance, among other things, and can be expected to vary from year to year.

If the Fund is the holder of record of any stock on the record date for any dividends payable with respect to such stock, such dividends are included in the Fund's gross income not as of the date received but as of the later of (a) the date such stock became ex-dividend with respect to such dividends (i.e., the date on which a buyer of the stock would not be entitled to receive the declared, but unpaid, dividends) or (b) the date the Fund acquired such stock. Accordingly, in order to satisfy its income distribution requirements, the Fund may be required to pay dividends based on anticipated earnings, and shareholders may receive dividends in an earlier year than would otherwise be the case.

Under the Code, the Fund may be subject to a 4% excise tax on a portion of its undistributed income. To avoid the tax, the Fund must distribute annually at least 98% of its ordinary income (not taking into account any capital gains or losses) for the calendar year and at least 98% of its capital gain net income for the

12-month period ending, as a general rule, on October 31 of the calendar year. For this purpose, any income or gain retained by the Fund that is subject to corporate income tax will be treated as having been distributed at year-end. In addition, the minimum amounts that must be distributed in any year to avoid the excise tax will be increased or decreased to reflect any under-distribution or over-distribution, as the case may be, in the previous year. For a distribution to qualify under the foregoing test, the distribution generally must be declared and paid during the year. Any dividend declared by the Fund in October, November or December of any year and payable to shareholders of record on a specified date in such a month shall be deemed to have been received by each shareholder on December 31 of such year and to have been paid by the Fund not later than December 31 of such year, provided that such dividend is actually paid by the Fund during January of the following year.

The Fund will maintain accounts and calculate income by reference to the

U.S. dollar for U.S. federal income tax purposes. If the Fund's dividends exceed its taxable income in any year, which is sometimes the result of currency related losses, all or a portion of the Fund's dividends may be a return of capital to shareholders for tax purposes. Furthermore, exchange control regulations may restrict the ability of the Fund to repatriate investment income or the proceeds of sales of securities. These restrictions and limitations may limit the Fund's ability to make sufficient distributions to satisfy the 90% distribution requirement and avoid the 4% excise tax.

The Fund's transactions in foreign currencies, forward contracts, options and futures contracts (including options and futures contracts on foreign currencies) will be subject to special provisions of the Code that, among other things, may affect the character of gains and losses realized by the Fund (i.e., may affect whether gains or losses are ordinary or capital), accelerate recognition of income to the Fund, defer Fund losses, and affect the determination of whether capital gains and losses are characterized as long-term or short-term capital gains or losses. These rules could therefore affect the character, amount and timing of distributions to shareholders. These provisions also may require the Fund to mark-to-market certain types of the positions in its portfolio (i.e., treat them as if they were closed out) which may cause the Fund to recognize income without receiving cash with which to make distributions in amounts necessary to satisfy the 90% and 98% distribution requirements for avoiding income and excise taxes.

The Fund may make investments that accrue income that is not matched by a current receipt of cash by the Fund, such as investments in certain obligations having original issue discount (i.e., an amount equal to the excess of the stated redemption price of the security at maturity over its issue price), or market discount (i.e., an amount equal to the excess of the stated redemption price of the security at maturity over its basis immediately after it was acquired) if the Fund elects to accrue market discount on a current basis. In addition, income may continue to accrue for federal income tax purposes with respect to a non-performing investment. Any of the foregoing income would be treated as income earned by the Fund and therefore would be subject to the distribution requirements of the Code. Because such income may not be matched by a concurrent receipt of cash to the Fund, the Fund may be required to dispose of other securities to be able to make distributions to its investors. See the discussion of distribution requirements above. The extent to which the Fund may liquidate securities at a gain may be limited by the 30% limitation discussed above.

Upon the sale or exchange of its shares, a shareholder will realize a taxable gain or loss depending upon the amount realized and the shareholder's basis in the shares. Such gain or loss will be treated as a capital gain or loss if the shares are capital assets in the shareholder's hands, and will be long-term if the shareholder's holding period for the shares is more than 12 months and otherwise will be short-term. Any loss realized on a sale or exchange will be disallowed to the extent that the shares disposed of are replaced (including replacement through the reinvesting of dividends and capital gains distributions in the Fund) within a period of 61 days beginning 30 days before and ending 30 days after the disposition of the shares. In such a case, the basis of the shares acquired will be adjusted to reflect the disallowed loss. Any loss realized by a shareholder on the sale of Fund shares held by the shareholder for six months or less will be treated for federal income tax purposes as a long-term capital loss to the extent of any distributions of long-term capital gains received by the shareholder with respect to such shares.

An amount received by a shareholder from the Fund in exchange for shares of the Fund (pursuant to a repurchase of shares in a tender offer or otherwise) generally will be treated as a payment in exchange for the shares tendered, which may result in taxable gain or loss as described above. However, if the amount received by a shareholder exceeds the fair market value of the shares tendered, or if a shareholder does not tender all of the shares of the Fund owned or deemed to be owned by the shareholder, all or a portion of the amount received may be treated as a dividend taxable as ordinary income or as a return of capital. In addition, if a tender offer is made, shareholders who do not tender their shares could be deemed, under certain circumstances, to have received a taxable distribution as a result of their increased proportionate interest in the Fund.

Backup Withholding

The Fund may be required to withhold federal income tax at a rate of 31% ("backup withholding") from dividends and redemption proceeds paid to non-corporate shareholders. This tax may be withheld from dividends if (i) the shareholder fails to furnish the Fund with the shareholder's correct taxpayer identification number (ii) the IRS notifies the Fund that the shareholder has failed to report properly certain interest and dividend income to the IRS and to respond to notices to that effect, or (iii) when required to do so, the shareholder fails to certify that he or she is not subject to backup withholding. Redemption proceeds may be subject to withholding under the

circumstances described in (i) above. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from payments made to a shareholder may be credited against such shareholder's federal income tax liability.

Passive Foreign Investment Companies

The Fund intends to make investments which may, for federal income tax purposes, constitute investments in shares of foreign corporations. If the Fund purchases shares in certain foreign passive investment entities described in the Code as passive foreign investment companies ("PFIC"), the Fund will be subject to U.S. federal income tax on a portion of any "excess distribution" (the Fund's ratable share of distributions in any year that exceeds 125% of the average annual distribution received by the Fund in the three preceding years or the Fund's holding period, if shorter, and any gain from the disposition of such shares), even if such income is distributed as a taxable dividend by the Fund to its shareholders. Additional charges in the nature of interest may be imposed on the Fund in respect of deferred taxes arising from such "excess distributions." If the Fund were to invest in a PFIC and elect to treat the PFIC as a "qualified electing fund" under the Code (and if the PFIC were to comply with certain reporting requirements), in lieu of the foregoing requirements the Fund would be required to include in income each year its pro rata share of the PFIC's ordinary earnings and net realized capital gains, whether or not such amounts were actually distributed to the Fund. Such amounts would be subject to the 90% and calendar year distribution requirements described above.

Legislation pending in the U.S. Congress would unify and, in certain cases, modify the anti-deferral rules contained in various provisions of the Code, including the provisions dealing with PFICs, related to the taxation of U.S. shareholders of foreign corporations. In the case of a passive foreign company, as defined in the proposed legislation ("PFC"), having "marketable stock," the proposed legislation would require U.S. shareholders, such as the Fund, owning less than 25% of a PFC that is not U.S.-controlled to mark-to-market the PFC stock annually, unless the shareholders elected to include in income currently their proportionate shares of the PFC's income and gain. Otherwise, U.S. shareholders would be treated substantially the same as under current law. Special rules applicable to mutual funds would classify as "marketable stock" all stock in PFCs held by the Fund. It is unclear if or when the proposed legislation will become law and if it is enacted, the form it will take. Moreover, on April 1, 1992, proposed regulations of the IRS were published providing a mark-to-market election for regulated investment companies that would have effects similar to the proposed legislation. These regulations would be effective for taxable years ending after promulgation of the regulations as final regulations. The IRS subsequently issued a notice indicating that final regulations will provide that regulated investment companies may elect the mark-to-market election for tax years ending after March 31,

1992 and before April 1, 1993. Whether and to what extent the notice will apply to taxable years of the Fund is unclear.

Foreign Tax Credits

The Fund may be subject to certain taxes, including withholding taxes, imposed by Korea and possibly other foreign countries with respect to its income and capital gains. If the Fund qualifies as a regulated investment company, if certain distribution requirements are satisfied and if more than 50% of the value of the Fund's total assets at the close of any taxable year consists of stock or securities of foreign corporations, which for this purpose may include obligations of foreign governmental issuers, the Fund may elect, for U.S. federal income tax purposes, to treat any foreign country's income or withholding taxes paid by the Fund that can be treated as income taxes under the U.S. income tax principles, as paid by its shareholders. The Fund expects to qualify for and make this election. For any year that the Fund makes such an election, each shareholder will be required to include in its income an amount equal to its allocable share of such income taxes paid by the Fund to a foreign country's government and shareholders will be entitled, subject to certain limitations, to credit their portions of these amounts against their U.S. federal income tax due, if any, or to deduct their portions from their U.S. taxable income, if any. No deductions for foreign taxes paid by the Fund may be claimed, however, by non-corporate shareholders (including certain foreign shareholders described below) who do not itemize deductions. Shareholders that are exempt from tax under Section 501(a) of the Code, such as pension plans, generally will derive no benefit from the Fund's election. However, such shareholders should not be disadvantaged either because the amount of additional income they are deemed to receive equal to their allocable share of such foreign countries' income taxes paid by the Fund generally will not be subject to U.S. federal income tax.

The amount of foreign taxes that may be credited against a shareholder's U.S. federal income tax liability generally will be limited, however, to an amount equal to the shareholder's U.S. federal income tax rate multiplied by its

foreign source taxable income. For this purpose, the Fund generally expects that the capital gains it distributes, whether as dividends or capital gains distributions, will not be treated as foreign source taxable income. In addition, this limitation must be applied separately to certain categories of foreign source income, one of which is foreign source "passive income." For this purpose, foreign source "passive income" includes dividends, interest, capital gains and certain foreign currency gains. As a consequence, certain shareholders may not be able to claim a foreign tax credit for the full amount of their proportionate share of foreign taxes paid by the Fund. Each shareholder will be notified within 60 days after the close of the Fund's taxable year whether, pursuant to the election described above, the foreign taxes paid by the Fund will be treated as paid by its shareholders for that year and, if so, such notification will designate (i) such shareholder's portion of the foreign taxes paid to such country and (ii) the portion of the Fund's dividends and distributions that represents income derived from sources within such country.

Foreign Shareholders

U.S. taxation of a shareholder who, as to the United States, is a foreign investor depends, in part, on whether the shareholder's income from the Fund is "effectively connected" with a U.S. trade or business carried on by the shareholder.

If the foreign investor is not a resident alien and the income from the Fund is not effectively connected with a United States trade or business carried on by the foreign investor, distributions of net investment income and net realized short-term capital gains will be subject to a 30% (or lower treaty rate) U.S. withholding tax. Furthermore, such foreign investors may be subject to an increased U.S. tax on their income resulting from the Fund's election (described above) to "pass-through" amounts of foreign taxes paid by the Fund, but will not be able to claim a credit or deduction in the United States with respect to the foreign taxes treated as having been paid by them. Distributions of net realized long-term capital gains, amounts retained by the Fund which are designated as undistributed capital gains, and gains realized upon the sale of shares of the Fund will not be subject to U.S. tax unless a foreign investor who is a nonresident alien individual is physically present in the United States for more than 182 days during the taxable year and, in the case of a gain realized upon the sale of Fund shares, unless (i) such gain is attributable to an office or fixed place of business in the

United States or (ii) such nonresident alien individual has a tax home in the United States and such gain is not attributable to an office or fixed place of business located outside the United States. A determination by the Fund not to distribute long-term capital gains may reduce a foreign investor's overall return from an investment in the Fund, since the Fund will incur a U.S. federal tax liability with respect to retained long-term capital gains, thereby reducing the amount of cash held by the Fund that is available for distribution, and the foreign investor may not be able to claim a credit or deduction with respect to such taxes. In the case of a foreign investor who is a nonresident alien individual, the Fund may be required to withhold U.S. federal income tax at a rate of 31%, unless the foreign investor files an appropriate form certifying under penalty of perjury as to his nonresident alien status.

If a foreign investor is a resident alien or if dividends or distributions from the Fund are effectively connected with a U.S. trade or business carried on by the foreign investor, dividends of net investment income, distributions of net short-term and long-term capital gains, amounts retained by the Fund that are designated as undistributed capital gains and any gains realized upon the sale of shares of the Fund will be subject to U.S. income tax at the rates applicable to U.S. citizens or domestic corporations. If the income from the Fund is effectively connected with a U.S. trade or business carried on by a foreign investor that is a corporation, then such foreign investor also may be subject to the 30% branch profits tax.

The tax consequences to a foreign shareholder entitled to claim the benefits of an applicable tax treaty may be different from those described in this section. Shareholders may be required to provide appropriate documentation to establish their entitlement to the benefits of such a treaty. Foreign investors are advised to consult their own tax advisers with respect to (a) whether their income from the Fund is or is not effectively connected with a U.S. trade or business carried on by them (b) whether they may claim the benefits of an applicable tax treaty and (c) any other tax consequences to them of an investment in the Fund.

OTHER TAXATION

Distributions also may be subject to state, local and foreign taxes depending on each shareholder's particular position.

THE U.S. FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS A SUMMARY INCLUDED FOR GENERAL INFORMATION PURPOSES ONLY. IN VIEW OF THE INDIVIDUAL NATURE

OF TAX CONSEQUENCES, EACH SHAREHOLDER IS ADVISED TO CONSULT HIS OWN TAX ADVISER WITH RESPECT TO THE SPECIFIC TAX CONSEQUENCES TO HIM OF PARTICIPATION IN THE FUND, INCLUDING THE EFFECT AND APPLICABILITY OF STATE, LOCAL, FOREIGN, AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN FEDERAL OR OTHER TAX LAWS.

Ordinary income and capital gain dividends may also be subject to state and local taxes.

KOREAN TAXES

The following description of certain Korean tax matters relating to the Fund and its shareholders represents the opinion of Shin & Kim, Korean counsel to the Fund.

Under current Korean law, payments to non-residents of Korea (such as the Fund) by Korean corporations in respect of income are subject to Korean withholding tax and capital gains derived by non-residents of Korea (such as the Fund) with respect to stock and securities of Korean corporations are subject to withholding tax, unless exempted by relevant laws or tax treaties. More specifically, dividends and interest will be subject to withholding tax at the rate of 26.875% and capital gains (without deduction for capital losses) will be subject to withholding tax equal to the lower of (i) 10.75% of the gross sales proceeds, or (ii) if satisfactory evidence of acquisition cost is produced, 26.875% of the difference between the gross sales proceeds and the acquisition cost of the stock or security sold (excluding any transaction charges, commissions, fees or taxes paid at the time of acquisition).

The applicable withholding tax rate under the U.S.-Korea Income Tax Treaty presently in effect (the "Treaty"), is generally 15% (plus a resident tax of 7.5% of such amount, or a total of 16.125%) on dividends

paid to the Fund by Korean corporations, and generally 12% (plus a resident tax of 7.5% of such amount, or a total of 12.9%) on interest paid to the Fund by Korean corporations. Under the Treaty, no withholding tax will be applicable to capital gains realized by the Fund.

The reduced tax rate and exemption under the provisions of the Treaty will not apply to the dividend, interest and capital gain income derived by the Fund from Korean corporations if both (i) the Fund is, by reason of the existence of special measures under U.S. federal income tax law with respect to those types of income, subject to U.S. federal income tax in an amount substantially less than the U.S. federal income tax generally imposed on corporate profits (Article 17(a) of the Treaty), and (ii) at least 25% of the Fund's outstanding shares are held of record or otherwise determined to be owned, directly or indirectly, by one or more persons who are not individual residents of the United States (Article 17(b) of the Treaty).

Questions have recently been raised as to whether the U.S. regulated investment company provisions contained in the Code constitute "special measures" for purposes of Article 17(a) of the Treaty. Regardless of the resolution of these questions, under Article 17(b) of the Treaty, the Fund will qualify for the benefits of the Treaty so long as less than 25% of the Fund's outstanding shares are determined to be held other than by individual residents of the United States.

Shin & Kim have given their opinion that the Treaty presently applies to the Fund if and so long as the Fund operates as described herein. The Fund has received written confirmation from the MOF that, so long as all of the issued shares of the Fund are listed on one or more publicly acknowledged stock exchanges in the United States only and they are traded on such exchanges by the general public, the Fund will be entitled to the benefits of the Treaty because Article 17(b) of the Treaty will not apply. The Fund's Common Stock has been approved for listing on the New York Stock Exchange upon notice of issuance. In order to qualify for the benefits of the Treaty, the Fund will not apply to list the Fund's shares on any stock exchange outside the United States.

Notwithstanding the foregoing, the Tax Exemption and Reduction Control Law (the "TERCL") exempts interest on bonds denominated in a non-Korean currency from Korean income and corporation taxes. The residents' tax referred to above is therefore eliminated with respect to such investments. The TERCL tax exemptions expire on December 31, 1998.

Under present Korean law, the Korean Inheritance and Gift Tax will not apply to any testate, intestate or inter-vivos transfer of shares of the Fund to the extent the deceased or the donee, as the case may be, is not domiciled in Korea. Korean stamp duty will not apply to transfers of Korean securities, nor to the Fund's portfolio securities transactions.

A securities transaction tax is payable on the transfer by the Fund of shares and certain other equities (throughout this paragraph, collectively, "shares") issued by a Korean company at the rate of 0.35% of the sale price of

the shares (except in certain circumstances in which case no tax is charged, and where the shares are traded outside the KSE, in which case the tax is payable at the rate of 0.5% of the sale price) unless (i) the shares are listed on a foreign stock exchange and the sales are executed on such exchange; or (ii) those sales are executed between non-residents without a permanent establishment in Korea, the non-resident transferor did not own 10% or more of the total issued and outstanding shares of the issuer of such shares at any time during the five years before the year within which the transfer occurs, and the non-resident transferor does not sell such shares through a securities company in Korea (which latter condition cannot be fulfilled under current KSEC regulations which require all sales of Korean securities off the KSE to be through a Korean securities company). Effective from July 1, 1994, the Korean government introduced an additional agricultural and fishery special tax on securities transactions on the KSE which is equal to 0.15% of the sale price of the shares and which will remain effective for a period of ten years thereafter. The transferor of the shares pays the securities transaction tax. When the transfer is made through a securities company only, such securities company will make the withholding. Where the transfer is effected by a non-resident individual or a non-resident corporation without a permanent establishment in Korea otherwise than through the Korea Securities Depository or a securities company, the transferee is required to withhold the securities transaction tax.

This tax treatment could change in the event of changes in Korean or U.S. tax laws, changes in the terms of, or the MOF's interpretation of, the Treaty, or changes in relevant facts.

NOTICES

Shareholders will be notified annually by the Fund of the dividends, distributions and deemed distributions made by the Fund to its shareholders. Furthermore, shareholders will be sent, if appropriate, various written notices after the close of the Fund's taxable year regarding certain dividends, distributions and deemed distributions that were paid (or that were treated as having been paid) by the Fund to its shareholders during the preceding taxable year.

PROSPECTIVE INVESTORS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISERS CONCERNING FOREIGN, FEDERAL, STATE AND LOCAL TAX MATTERS, AND WITH RESPECT TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF AN INVESTMENT IN THE FUND.

NET ASSET VALUE

Net asset value will be determined daily by dividing the value of the net assets of the Fund (the value of its assets less its liabilities including borrowings, exclusive of capital stock and surplus) by the total number of shares of Common Stock outstanding. Portfolio securities will be valued by various methods depending on the primary market or exchange on which they trade. Most equity securities for which the primary market is the United States will be valued at the last sale price or, if no sale has occurred, at the closing bid price. Equity securities for which the primary market is outside the United States will be valued using the official closing price or the last sale price in the principal market where they are traded. If the last sale price (on the local exchange) is unavailable, the last evaluated quote or last bid price normally will be used. Shares listed on the KSE which are traded by foreign investors in foreign OTC transactions may be valued at prices at which it is expected such shares may be sold, as determined by or under the direction of a committee appointed by the Board of Directors, provided that the committee determines that such valuations are accurate; otherwise such KSE shares will be valued using the procedures for listed securities. Short-term securities will be valued either at amortized cost or at original cost plus accrued interest, both of which approximate current value. Convertible securities and fixed-income securities will be valued primarily by a pricing service that uses a vendor security valuation matrix which incorporates both dealer-supplied valuations and electronic data processing techniques. This two-fold approach is believed to more accurately reflect fair value because it takes into account appropriate factors such as institutional trading in similar groups of securities, yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data, without exclusive reliance upon quoted, exchange, or over-the-counter prices. Use of pricing services has been approved by the Board of Directors.

Securities and other assets for which there is no readily available market will be valued in good faith by a committee appointed by the Board of Directors. The procedures set forth above need not be used to determine the value of the securities owned by the Fund if, in the opinion of a committee appointed by the Board of Directors, some other method (e.g., closing over-the-counter bid prices in the case of debt instruments traded on an exchange) would more accurately reflect the fair market value of such securities.

Generally, the valuation of foreign and domestic equity securities, as well as corporate bonds, U.S. government securities, money market instruments, and

repurchase agreements, will be substantially completed each day at the close of the NYSE. The values of any such securities held by the Fund are determined as of such time for the purpose of computing the Fund's net asset value. Foreign security prices are furnished by independent brokers or quotation services which express the value of securities in their local currency. Fidelity Service Company gathers all exchange rates daily at the close of the NYSE using the last quoted price on the local currency and then translates the value of foreign securities from their local currency into U.S. dollars. Any changes in the value of forward contracts due to exchange rate fluctuations and days to maturity are included in the calculation of net asset value. If an extraordinary event that is expected to materially affect the value of a portfolio security occurs after the close of an exchange on which that security is traded, then the security will be valued as determined in good faith by a committee appointed by the Board of Directors.

DESCRIPTION OF CAPITAL STOCK

COMMON STOCK

The authorized capital stock of the Fund is 100,000,000 shares of Common Stock ($.001 par value). The Common Stock, when issued, will be fully paid and nonassessable. All shares of Common Stock are equal as to dividends, distributions and voting privileges. There are no conversion, preemptive or other subscription rights. In the event of liquidation, each share of Common Stock is entitled to its proportion of the Fund's assets after payment of all debts and expenses and any preferential liquidating distributions to holders of any preferred stock issued by the Fund. There are no cumulative voting rights for the election of directors. Prior to the Offering, the Investment Manager will own 100% of the outstanding shares of Common Stock of the Fund and, consequently, will be a controlling person of the Fund until the shares offered hereby are issued and sold.

The Fund's Board of Directors has the authority to classify and reclassify any authorized but unissued shares of capital stock and to establish the rights and preferences of such unclassified shares. The Fund has no present intention of offering additional shares of its Common Stock except in connection with any future rights offering and the Plan. See "Future Rights Offering" and "Dividends and Distributions: Dividend Reinvestment and Cash Purchase Plan." Other offerings of its Common Stock, if made, will require approval of the Fund's Board of Directors. Any additional offering will be subject to the requirements of the 1940 Act that shares of Common Stock may not be sold at a price below the then current net asset value (exclusive of underwriting discounts and commissions) except in connection with an offering to existing shareholders or with the consent of a majority of the Fund's outstanding Common Stock.

SPECIAL VOTING PROVISIONS

The Fund presently has provisions in its Articles of Incorporation and By-Laws which may have the effect of limiting the ability of other entities or persons to acquire control of the Fund, to cause it to engage in certain transactions, or to modify its structure.

Under these provisions, a director may be removed from office only for cause by vote of at least 75% of the shares of capital stock entitled to be voted on the matter. Also conversion of the Fund from a closed-end to an open-end investment company requires approval of 75% of the entire Board of Directors and the affirmative vote of holders of at least 75% of the Common Stock outstanding unless it is approved by a vote of 75% of the Continuing Directors (as defined below), in which event such conversion requires the approval of the holders of a majority of the outstanding Common Stock. A "Continuing Director" is any member of the Board of Directors of the Fund who is not a person or affiliate of a person who enters or proposes to enter into a Business Combination (as defined below) with the Fund (an "Interested Party") and who has been a member of the Board of Directors for a period of at least 12 months, or has been a member of the Board of Directors since April 1, 1994, or is a successor of a Continuing Director who is unaffiliated with an Interested Party and is recommended to succeed a Continuing Director by a majority of the Continuing Directors then on the Board of Directors of the Fund.

In addition, at the Fund's first annual stockholders meeting, the Board of Directors will be classified into three classes, each with a term of three years with only one class of directors standing for election in any year. Commencing on the date of the annual meeting of stockholders in the year 2000, the Board of Directors will no longer be divided into classes and each director will stand for election at such meeting and at each annual meeting of stockholders held thereafter. Such classification may prevent replacement of a majority of the directors for up to a two-year period while the classification is in effect.

Additionally, the affirmative vote of 75% of the entire Board of Directors and the holders of at least (i) 75% of the Common Stock and (ii) in the case of a Business Combination (as defined below), 66% of the Common Stock other than

Common Stock held by an Interested Party who is (or whose affiliate is) a party to a Business Combination (as defined below) or an affiliate or associate of the Interested Party, are required to authorize any of the following transactions:

(i) merger, consolidation or statutory share exchange of the Fund with or into any other person;

(ii) issuance or transfer by the Fund (in one or a series of transactions in any 12 month period) of any securities of the Fund to any person or entity for cash, securities or other property (or combination thereof) having an aggregate fair market value of $1,000,000 or more, excluding issuances or transfers of

debt securities of the Fund, sales of securities of the Fund in connection with a public offering, issuances of securities of the Fund pursuant to a dividend reinvestment plan adopted by the Fund and issuances of securities of the Fund upon the exercise of any stock subscription rights distributed by the Fund and portfolio transactions effected by the Fund in the ordinary course of its business;

(iii) sale, lease, exchange, mortgage, pledge, transfer or other disposition by the Fund (in one or a series of transactions in any 12 month period) to or with any person or entity of any assets of the Fund having an aggregate fair market value of $1,000,000 or more except for portfolio transactions (including pledges of portfolio securities in connection with borrowings) effected by the Fund in the ordinary course of its business (transactions within clauses (i), (ii) and (iii) above being known individually as a "Business Combination");

(iv) the voluntary liquidation or dissolution of the Fund, or an amendment to the Fund's Articles of Incorporation, to terminate the Fund's existence; or

(v) unless the 1940 Act or federal law requires a lesser vote, any stockholder proposal as to specific investment decisions made or to be made with respect to the Fund's assets as to which stockholder approval is required under federal or Maryland law.

However, the stockholder vote described above will not be required with respect to the foregoing transactions (other than those set forth in (v) above) if they are approved by a vote of 75% of the Continuing Directors. In that case, if Maryland law requires stockholder approval, the affirmative vote of a majority of the votes entitled to be cast thereon shall be required.

Reference is made to the Articles of Incorporation and By-Laws of the Fund, on file with the Commission, for the full text of these provisions. See "Further Information."

ANNUAL TENDER OFFERS AND SHARE REPURCHASES

In recognition of the possibility that the Fund's Shares might trade at a discount to net asset value, the Board of Directors of the Fund has determined that it would be in the best interests of the shareholders of the Fund to take action to attempt to reduce or eliminate a market value discount from net asset value. To that end, the Board of Directors of the Fund has determined that annual tender offers for shares of its Common Stock may help reduce any market discount that may develop. In this connection, during the first calendar quarter of each calendar year commencing in 1998, the Board of Directors of the Fund has committed to conduct a tender offer for shares of its Common Stock on an annual basis under certain circumstances. During the fourth quarter of the previous calendar year, the Board of Directors will fix in advance a period of 12 consecutive calendar weeks beginning during such fourth calendar quarter and ending in the immediately following first quarter for the purpose of calculating the average trading price of the Fund's Common Stock. In the event that the average of the closing prices of the Common Stock of the Fund for the last trading day in each week during such 12-week period, on the principal securities exchange where listed, is below the initial offering price of $15.00 per share and represents a discount of 10% or more from the average net asset value of the Fund as determined on the same days in the same period, a tender offer for up to 10% of the then outstanding shares of Common Stock of the Fund will be conducted during such first calendar quarter, subject to certain conditions described below. In addition, the Board of Directors may consider from time to time open market repurchases of the Fund's Common Stock or converting the Fund into an open-end investment company.

Subject to the Fund's investment restrictions with respect to borrowings, the Fund may incur debt to finance tender offers and/or repurchases. See "Investment Restrictions." Interest on any such borrowings will reduce the Fund's net investment income, and any such borrowings are subject to special considerations.

No assurance can be given that annual tender offers or repurchases of shares of its Common Stock will reduce or eliminate any market discount from net asset value of the Fund's Common Stock. The Fund anticipates that the market price of its Common Stock will from time to time vary from net asset value. The market price of the Fund's Common Stock will, among other things, be determined by the relative demand for and supply of shares of its Common Stock in the market, the Fund's investment performance, the Fund's dividends and yield and investor perception of the Fund's overall attractiveness as an investment as compared with other investment alternatives. Nevertheless, the fact that the Fund's Common Stock may be subject to tender offers at net asset value from time to time may reduce the spread between market price and net asset

value that might otherwise exist. In the opinion of the Investment Manager, sellers may be less inclined to accept a significant discount if they have a reasonable expectation of being able to recover net asset value in conjunction with an annual tender offer.

Although the Board of Directors believes that tender offers and repurchases of shares of Common Stock generally would have a favorable effect on the market price of the Fund's Common Stock, the repurchase of shares of Common Stock by the Fund will decrease the total assets of the Fund and, therefore, have the effect of increasing the Fund's expense ratio. Because of the nature of the Fund's investment objective and policies and the Fund's portfolio, the Investment Manager does not anticipate that tender offers and repurchases should have a materially adverse effect on the Fund's investment performance and does not anticipate any material difficulty in disposing of sufficient portfolio securities in order to consummate tender offers and repurchases.

Although the Board of Directors has committed to annual tender offers under the circumstances set forth above, it is the Board of Directors' announced policy, which may be changed by the Board of Directors, that the Fund cannot accept tenders or effect repurchases if (1) such transactions, if consummated, would (a) result in the delisting of the Fund's Common Stock from the NYSE (the NYSE having advised the Fund that it would consider delisting if the aggregate market value of the Fund's outstanding shares is less than $5,000,000, the number of publicly held shares of Common Stock falls below 600,000 or the number of round-lot holders falls below 1,200) or (b) impair the Fund's status as a regulated investment company under the Code (which would make the Fund subject to U.S. federal income taxes on all of its income and gains in addition to the taxation of shareholders who receive distributions from the Fund); (2) the amount of shares of Common Stock tendered would require liquidation of such a substantial portion of the Fund's securities that the Fund would not be able to liquidate portfolio securities in an orderly manner in light of the existing market conditions and such liquidation would have an adverse effect on the net asset value of the Fund to the detriment of non-tendering shareholders; (3) there is any (a) in the Board of Directors' judgment, material legal action or proceeding instituted or threatened challenging such transactions or otherwise materially adversely affecting the Fund, (b) suspension of or limitation on prices for trading securities generally on the NYSE or other national securities exchange(s), or the NASDAQ National Market System, (c) declaration of a banking moratorium by Federal or state authorities or any suspension of payment by banks in the United States or New York State, (d) limitation affecting the Fund or the issuers of its portfolio securities imposed by federal or state authorities on the extension of credit by lending institutions, (e) commencement of war, armed hostilities or other international or national calamity directly or indirectly involving the United States, or (f) in the Board of Directors' judgment, other event or condition which would have a material adverse effect on the Fund or its shareholders if Shares were repurchased; or (4) the Board of Directors determines that effecting any such transaction would constitute a breach of their fiduciary duty owed to the Fund or its shareholders. The Board of Directors may modify these conditions in light of experience.

Any tender offer made by the Fund for its shares of Common Stock will be at a price equal to the net asset value of the Common Stock on a date subsequent to the Fund's receipt of all tenders. During the pendency of any tender offer by the Fund, the Fund will calculate daily the net asset value of the Common Stock and will establish procedures which will be specified in the tender offer documents, to enable shareholders to ascertain readily such net asset value. Each offer will be made and shareholders notified in accordance with the requirements of the Securities Exchange Act of 1934 and the 1940 Act, either by publication or mailing or both. Each offering document will contain such information as is prescribed by such laws and the rules and regulations promulgated thereunder, including information for shareholders to consider in deciding whether to tender shares of Common Stock and detailed instructions on how to tender such shares of Common Stock. When a tender offer is authorized to be made by the Fund's Board of Directors, a shareholder wishing to accept the offer will be required to tender all (but not less than all) of the shares of Common Stock owned by such shareholder (or attributed to him for U.S. federal income tax purposes under Section 318 of the Code) unless the Fund has received a ruling from the Internal Revenue Service, or an opinion satisfactory to it, that a tender of less than all of a shareholder's shares of Common Stock will

not cause certain adverse tax consequences with respect to non-tendering shareholders. There can be no assurance that the Fund will receive such a ruling or opinion.

A shareholder who sells all of his shares of Common Stock (including shares attributed to him for U.S. Federal income tax purposes under Section 318 of the Code) pursuant to a tender offer or open-market repurchase by the Fund will realize a taxable gain or loss, treated as described in "Taxation -- U.S. Federal Income Taxes." A shareholder who sells less than all of his shares of Common Stock (including shares so attributed) may be treated as receiving a dividend from the Fund in the amount of some or all of the proceeds of sale; in that event, the amount of proceeds not treated as a dividend would be a return of capital, reducing the shareholder's basis in his shares of Common Stock (including the shares sold pursuant to the tender offer or repurchase) and a gain (treated as a capital gain for a shareholder owning the shares as a capital asset) to the extent of any amount in excess of such basis. Also, in the case of open-market repurchases, it is possible that shareholders who do not have their shares of Common Stock repurchased would be treated as having received a dividend distribution as a result of their proportionate increase in the ownership of the Fund.

The Fund will not specify a record date for the tender offer which will not permit a shareholder of record on the effective date of the tender offer to tender its shares of Common Stock. The Fund will purchase all shares of Common Stock tendered in accordance with the terms of the offer unless it determines to accept none of them (based upon one of the conditions set forth above), or unless more shares are tendered than the Fund is required to purchase, in which case the Fund will purchase the shares tendered on a pro rata basis. Each person tendering shares of Common Stock will pay to the Fund a reasonable service charge, currently anticipated to be $25.00, but subject to change, to help defray certain costs, including the processing of tender forms, effecting payment, postage and handling. It is the position of the staff of the Commission that such service charge may not be deducted from the proceeds of the purchase. The Fund's transfer agent will receive the fee as an offset to these costs. The Fund expects that the cost to the Fund of effecting a tender offer will exceed the aggregate of all service charges received from those who tender their shares of Common Stock. Such excess costs associated with the tender will be charged against capital. Tendered shares of Common Stock that have been accepted and purchased by the Fund will be recorded and reported as an offset to shareholders' equity and accordingly will reduce the Fund's total assets.

In order to finance share repurchases, the Fund currently anticipates that it will liquidate a portion of its investments. Although the Fund has no current intention to incur debt in order to finance share repurchases, it is permitted to borrow to finance such repurchases. If the Fund does borrow to finance share repurchases, this would have the effect of leveraging on the Fund.

If the Fund must liquidate portfolio securities in order to purchase shares of Common Stock tendered, the Fund may realize gains and losses. Such gains may be realized on securities held for less than three months. Because the Fund, as a regulated investment company under the Code, may not derive 30% or more of its gross income from the sale or disposition of stocks and securities held less than three months, such gains would reduce the ability of the Fund to sell other securities held for less than three months that the Fund may wish to sell in the ordinary course of its portfolio management, which may adversely affect the Fund's yield. See "Taxation -- U.S. Federal Income Taxes." The portfolio turnover rate of the Fund may or may not be affected by the Fund's repurchases of Shares pursuant to a tender offer.

CUSTODIAN, TRANSFER AGENT, DIVIDEND PAYING AGENT AND REGISTRAR

The Chase Manhattan Bank, N.A., 1211 Avenue of the Americas, New York, New York 10036, will act as custodian for the Fund's assets. The Hong Kong and Shanghai Banking Corporation, Seoul Branch will serve as the Fund's sub-custodian for its assets held in Korea. State Street Bank and Trust Company will act as the transfer agent, dividend paying agent and registrar for the Fund's Common Stock.

UNDERWRITING

Subject to the terms and conditions contained in the Underwriting Agreement (the "Underwriting Agreement"), the Fund has agreed to sell an aggregate of shares of Common Stock to each of the U.S. Underwriters named below (the "U.S. Underwriters"), and each of the U.S. Underwriters, for whom Baring Securities, Inc., Donaldson, Lufkin & Jenrette Securities Corporation, Dillon, Read & Co. Inc., Cowen & Company, Legg Mason Wood Walker, Incorporated, Rauscher

Pierce Refsnes, Inc. and Raymond James & Associates, Inc. are acting as the representatives (the "U.S. Representatives"), have severally agreed to purchase the respective number of shares of Common Stock set forth opposite its name below:

<TABLE>
<CAPTION>

U.S. UNDERWRITERS	NUMBER OF SHARES
<S>	<C>
Baring Securities Inc.	
Donaldson, Lufkin & Jenrette Securities Corporation	
Dillon, Read & Co. Inc.	
Cowen & Company	
Legg Mason Wood Walker, Incorporated	
Rauscher Pierce Refsnes, Inc.	
Raymond James & Associates, Inc.	
Bear, Stearns & Co. Inc.	
CS First Boston Corporation	
Alex. Brown & Sons Incorporated	
A.G. Edwards & Sons, Inc.	
Kidder, Peabody & Co. Incorporated	
Lazard Freres & Co.	
Lehman Brothers Inc.	
Oppenheimer & Co., Inc.	
PaineWebber Incorporated	
Prudential Securities Incorporated	
Robertson, Stephens & Company, L.P.	
Salomon Brothers Inc	
Wertheim Schroder & Co. Incorporated	
Advest, Inc.	
Arnhold and S. Bleichroeder, Inc.	
Robert W. Baird & Co. Incorporated	
Black & Company, Inc.	
J.C. Bradford & Co.	
Branch, Cabell & Company	
J.W. Charles Securities, Inc.	
The Chicago Corporation	
Crowell, Weedon & Co.	
Dain Bosworth Incorporated	
Fahnestock & Co. Inc.	
First of Michigan Corporation	
J.J.B. Hilliard, W.L. Lyons, Inc.	
Huntleigh Securities Corporation	
Interstate/Johnson Lane Corporation	
Janney Montgomery Scott Inc.	
Kemper Securities, Inc.	
Ladenburg, Thalmann & Co. Inc.	
C.J. Lawrence/Deutsche Bank Securities Corporation	
Luther, Smith & Small Inc.	
McDonald & Company Securities, Inc.	
Mesirow Financial, Inc.	

</TABLE>

<TABLE>
<CAPTION>

U.S. UNDERWRITERS	NUMBER OF SHARES
<S>	<C>
Morgan Keegan & Company, Inc.	
The Ohio Company	
Parker/Hunter Incorporated	
Pennsylvania Merchant Group Ltd	
Piper Jaffray Inc.	
Principal Financial Securities, Inc.	
Roney & Co	
Scott & Stringfellow, Inc.	
The Seidler Companies Incorporated	
Southwest Securities, Inc.	
Sutro & Co. Incorporated	
Tucker Anthony Incorporated	
Wheat First Butcher Singer	
Cadaret, Grant & Co., Inc.	

Commonwealth Equity Services, Inc.	
Gibraltar Securities Co.	
Hanmi Securities, Inc.	
Nathan & Lewis Securities, Inc.	
Total	

</TABLE>

Subject to the terms and conditions set forth in the International Underwriting Agreement (the "International Underwriting Agreement"), and concurrently with the sale of Shares of Common Stock to the U.S. Underwriters, the Fund has agreed to sell an aggregate of shares of Common Stock, for offer and sale to non-U.S. and non-Canadian investors, to each of the International Managers named below (the "International Managers" and together with the U.S. Underwriters, the "Underwriters"), for whom Baring Brothers & Co., Limited, Donaldson, Lufkin & Jenrette Securities Corporation, Lucky Securities International Ltd., SsangYong Securities Europe Limited, Cowen & Company and KDB Securities Co., Ltd. are acting as representatives (the "International Representatives" and together with the U.S. Representatives, the "Representatives"), have severally agreed to purchase the respective numbers of shares of Common Stock set forth opposite its name below:

<TABLE>
<CAPTION>

INTERNATIONAL MANAGERS	NUMBER OF SHARES
<S>	<C>
Baring Brothers & Co., Limited	
Donaldson, Lufkin & Jenrette Securities Corporation	
Lucky Securities International Ltd	
SsangYong Securities Europe Limited	
Cowen & Company	
KDB Securities Co., Ltd	
Total	

</TABLE>

Baring Securities Inc. and Donaldson, Lufkin & Jenrette Securities Corporation are the Global Coordinators of the Offering (the "Global Coordinators").

The U.S. Underwriting Agreement and the International Underwriting Agreement (collectively, the "Underwriting Agreements") provide that, if any of the foregoing shares are purchased by the U.S. Underwriters pursuant to the U.S. Underwriting Agreement or by the International Managers pursuant to the International Underwriting Agreement, all the shares of Common Stock agreed to be purchased by the U.S. Underwriters or the International Managers, as the case may be, pursuant to their respective Underwriting Agreements must be so purchased, and that the obligations of the U.S. Underwriters or the International Managers thereunder are subject to approval of certain legal matters by counsel and to various other conditions. The offering price, underwriting discounts and commissions for the U.S. Offering and the International Offering are identical. The closing of each Offering is a condition to the closing of each other Offering.

The Representatives have advised the Fund that they propose to offer the shares of Common Stock directly to the public at the public offering price set forth on the cover page hereof except that the price will be reduced to $14.77 for purchases in transactions (as defined below) of 200,000 or more shares of Common Stock, subject to the following. Purchasers who agree to purchase shares of Common Stock at the reduced price will be restricted from selling, assigning or otherwise transferring or contracting to sell, assign or otherwise transfer those shares for a period of 90 days after the closing of the Offering. There is no restriction on the number of shares that may be purchased subject to the transfer restriction, except that the Underwriters have undertaken to comply, with respect to non-restricted shares, with the distribution requirements of the NYSE. The certificates evidencing shares of Common Stock purchased at the reduced price will contain a legend stating the transfer restriction. Investors must pay for any shares of Common Stock purchased in the initial public offering on or before October 31, 1994. The sales loads of $. and $. are equal to % and %, respectively, of the initial public offering price.

The Representatives have also advised the Fund that they propose to offer

shares of Common Stock to certain dealers (who may include Underwriters) at the initial offering price per share set forth above less a concession not to exceed $ per share ($ per share for purchases in single transactions (as defined below) of 200,000 or more shares of Common Stock). Such dealers may reallow a concession not to exceed $ per share of Common Stock to other dealers. After the initial public offering, the public offering price, the concession to selected dealers and the reallowance to other dealers may be changed by the Representatives.

The term "single transaction," as used herein, refers to a single purchase by an individual or to concurrent purchases, which in the aggregate are at least equal to the prescribed amounts, by an individual, his parents, spouse, siblings and children purchasing shares for his or their own account and to single transactions by a trustee, money manager, or other fiduciary purchasing shares for one or more trust estates, one or more fiduciary accounts and/or his own account. The term "single transaction" also includes purchases by any "company," as that term is defined in the 1940 Act, its directors, senior executive officers and controlling shareholders; provided, however, that it does not include purchases by any such company which has not been in existence for at least six months or which has no purpose other than the purchase of shares of the Fund or shares of other registered investment companies at a discount; and provided further, that it does not include purchases by any group of individuals whose sole organizational nexus is that the participants therein are credit cardholders of a company, policyholders of an insurance company or noninvestment advisory customers of a bank.

The Investment Manager has agreed to pay the Underwriters a sales incentive fee in an amount up to .30%, dependent on the value of Shares sold by each Underwriter.

The Fund has granted the U.S. Underwriters options, exercisable by the U.S. Representatives, to purchase up to an aggregate of 787,500 shares of Common Stock at the initial public offering price, less the underwriting discounts and commissions set forth on the cover page hereof. Such options, which expire 30 days after the date hereof, may be exercised one or more times solely to cover over-allotments. To the extent that the U.S. Representatives exercise such options, each of the U.S. Underwriters will be obligated, subject to certain conditions, to purchase approximately the same percentage of the option shares that the

number of shares of Common Stock to be purchased initially by that U.S. Underwriter bears to the total number of shares to be purchased initially by the U.S. Underwriters.

The U.S. Underwriters and the International Managers have entered into an Agreement Between U.S. Underwriters and International Managers. Pursuant to this Agreement, each U.S. Underwriter has agreed that, as part of the distribution of the Shares (plus any of the 787,500 Shares to cover over-allotments) of Common Stock offered in the U.S. Offering, (a) it is not purchasing any of such Shares for the account of anyone other than a U.S. or Canadian Person and (b) it has not offered or sold, and will not offer, sell, resell or deliver, directly or indirectly, any of such Shares or distribute any prospectus relating to the U.S. Offering to any person other than a U.S. or Canadian Person; and each International Manager has agreed that, as part of the distribution of the Shares of Common Stock offered in the International Offering, (a) it is not purchasing any of such Shares for the account of any U.S. or Canadian Person and (b) it has not offered or sold, and will not offer, sell, resell or deliver, directly or indirectly, any of such Shares or distribute any prospectus relating to the International Offering to any U.S. or Canadian Person. The foregoing limitations do not apply to stabilization transactions or to certain other transactions specified in the Underwriting Agreements and the Agreement Between U.S. Underwriters and International Managers, including (i) certain purchases and sales between the U.S. Underwriters and the International Managers, (ii) certain offers, sales, resales, deliveries or distributions to or through investment advisors or other persons exercising investment discretion, (iii) purchases, offers or sales by a U.S. Underwriter who is also acting as an International Manager, or by an International Manager who is also acting as a U.S. Underwriter and (iv) other transactions specifically approved by the U.S. Underwriters and the International Managers. As used herein, "U.S. or Canadian Person" means any individual who is resident in the United States or Canada, or any corporation, pension, profit-sharing or other trust or other entity organized under or governed by the laws of the United States or Canada or of any political subdivision thereof (other than a foreign branch of any U.S. or Canadian Person), and includes any U.S. or Canadian branch of a person other than a U.S. or Canadian Person. "United States" means the United States of America (including the District of Columbia) and its territories, its

possessions and all areas subject to its jurisdiction.

Pursuant to the Agreement Between U.S. Underwriters and International Managers, sales may be made between the U.S. Underwriters and the International Managers of such number of Shares as may be mutually agreed. The price of any Shares so sold shall be the public offering price as then in effect for the Shares of Common Stock being sold by the U.S. Underwriters and the International Managers, less an amount not greater than the selling concession allocable to such Shares. To the extent that there are sales between the U.S. Underwriters and the International Managers pursuant to the Agreement Between U.S. Underwriters and International Managers, the number of Shares initially available for sale by the U.S. Underwriters or by the International Managers may be more or less than the amount specified on the cover page hereof.

Each International Manager has represented and agreed that (i) it has not offered or sold, and will not offer or sell, in the United Kingdom, by means of any document, any Shares other than to persons whose ordinary business it is to buy or sell shares or debentures, whether as principal or agent (except under circumstances which do not constitute an offer to the public within the meaning of the Companies Act 1985 of Great Britain); (ii) it has complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to the Shares in, from or otherwise involving the United Kingdom, and (iii) it has only issued or passed on, and will only issue or pass on to any person in the United Kingdom, any document received by it in connection with the issue of the Common Stock, to any person if that person is of a kind described in Article 9(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1988 or to any person to whom the document may otherwise lawfully be issued or passed on.

Each International Manager has further represented and agreed that it has not offered or sold, and agrees not to offer or sell, resell or deliver, directly or indirectly, in Japan or to or for the account of any resident thereof, any of the Shares, except for offers or sales to International Managers or dealers and except pursuant to an exemption from the registration requirements of the Securities and Exchange Law of Japan and otherwise in compliance with applicable provisions of Japanese law.

Purchasers of the Shares offered hereby may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the offering price set forth on the cover page hereof.

Prior to the Offering, there has been no public market for the Fund's Common Stock. There can be no assurance that an active trading market will develop for the Common Stock or that the Common Stock will trade in the public market subsequent to the offering at or above the initial public offering price.

In each of the Underwriting Agreements, the Fund, the Investment Manager, the Investment Adviser and the Sub-Adviser have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that the Underwriters may be required to make in respect thereof.

The Fund's Common Stock has been approved for listing on the NYSE upon notice of issuance under the symbol "FAK." In order to satisfy one of the requirements for listing of the Common Stock on the NYSE, the Underwriters have undertaken to distribute the shares of Common Stock in a manner which complies with NYSE distribution criteria (including to sell lots of 100 or more non-restricted shares of Common Stock to a minimum of 2,000 beneficial holders worldwide).

The Fund anticipates that certain of the Underwriters may, from time to time, act as brokers or dealers in connection with the execution of portfolio transactions after they have ceased to be Underwriters and, subject to certain restrictions, may from time to time act as brokers or dealers while they are Underwriters.

The Fund has agreed to pay the Underwriters up to $200,000 in partial reimbursement of actual expenses incurred in connection with the Offering.

The relative sizes of the U.S. Offering and the International Offering will be determined by negotiations between the Fund and the Underwriters and will depend upon a number of factors, including the number of Shares to be offered in the Offering. It is expected that the Shares may be sold substantially outside the United States. The Fund cannot predict what effect, if any, the relative sizes of the U.S. Offering and the International Offering will have on secondary market trading of the shares of Common Stock in the United States or on the market price of the Shares.

EXPERTS

The financial statement of the Fund included herein has been so included in reliance on the report of Price Waterhouse LLP, 160 Federal Street, Boston, Massachusetts 02110, the Fund's independent accountants, given on the authority of said firm as experts in auditing and accounting.

LEGAL MATTERS

The validity of the Shares offered hereby will be passed on for the Fund by Rogers & Wells, New York, New York and certain legal matters will be passed upon for the Underwriters by Simpson Thacher & Bartlett (a partnership which includes professional corporations). Counsel for the Fund and the Underwriters will rely, as to matters of Maryland law, on Piper & Marbury, Baltimore, Maryland. With respect to all matters of Korean law, counsel for the Fund and counsel for the Underwriters will rely on Shin & Kim, Seoul, Korea.

FURTHER INFORMATION

Further information concerning these securities and their issuer may be found in the Fund's Registration Statement (which includes the Fund's prospectus) on file with the Commission. Current holdings and recent investment strategies will be described in the Fund's financial reports, which are sent to shareholders twice a year.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of

FIDELITY ADVISOR KOREA FUND, INC.

In our opinion, the accompanying statement of assets and liabilities presents fairly, in all material respects, the financial position of Fidelity Advisor Korea Fund, Inc. (the "Fund") at October 20, 1994 in conformity with generally accepted accounting principles. This financial statement is the responsibility of the Fund's management; our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit of this financial statement in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

Price Waterhouse LLP

Boston, Massachusetts
October 21, 1994

FIDELITY ADVISOR KOREA FUND, INC. (NOTE 1)

STATEMENT OF ASSETS AND LIABILITIES

OCTOBER 20, 1994

<TABLE>

<S>	<C>
Assets:	
Cash	$100,011
Deferred organization expenses (Note 2)	155,000
Total Assets	$255,011
Liabilities:	

Accrued organization expenses (Note 2)	$155,000
Commitments (Notes 2 and 3)	--
Total Liabilities	$155,000
Net Assets (7,093 shares of $.001 par value shares of common stock issued and outstanding; 100,000,000 shares authorized)	$100,011
Net asset value per share	$ 14.10

</TABLE>

NOTES TO FINANCIAL STATEMENT

NOTE 1

Fidelity Advisor Korea Fund, Inc. (the "Fund") was incorporated as a Maryland corporation on May 25, 1994 and has had no operations to date other than matters relating to its organization and registration as a non-diversified, closed-end management investment company under the Investment Company Act of 1940, as amended, and the sale and issuance to Fidelity Management & Research Company (the "Investment Manager") of 7,093 shares of its common stock for an aggregate purchase price of $100,011. The books and records of the Fund will be maintained in U.S. dollars.

NOTE 2

Organization expenses relating to the Fund incurred and to be incurred by the Investment Manager will be reimbursed by the Fund. Such expenses, estimated at $155,000, will be deferred and amortized on a straight-line basis for a five-year period beginning at the commencement of operations of the Fund. Offering costs, estimated at $700,000, will be paid from the proceeds of the offering and charged to capital at the time of the issuance of such shares.

NOTE 3

The Fund will enter into a management agreement with the Investment Manager, pursuant to which the Investment Manager will, among other things, supervise the Fund's investment program and monitor the performance of the Fund's service providers.

The Investment Manager will enter into an investment advisory agreement with Fidelity International Investment Advisors (the "Investment Adviser"), an affiliate of the Investment Manager, pursuant to which the Investment Adviser is responsible for the management of the Fund's portfolio in accordance with the Fund's investment policies and for making decisions to buy, sell, or hold particular securities.

Pursuant to a Sub-Advisory Agreement, the Investment Adviser has delegated certain of its responsibilities for the day-to-day management of the Fund to Fidelity Investments Japan Limited (the "Sub-Adviser"), which will manage the Fund's portfolio through its Tokyo office.

Fidelity Service Co., a division of FMR Corp., the parent company of the Investment Manager, will serve as the Fund's administrator pursuant to the terms of an Administration Agreement. The Fund will pay Fidelity Service Co. a monthly fee at an annual rate of .20% of the Fund's average daily net assets for its services.

The Fund will pay the Investment Manager a monthly fee for its management services at an annual rate of 1.00% of the Fund's average daily net assets. The Investment Manager will pay the Investment Adviser a monthly fee for its advisory services equal to 60% of the fees paid by the Fund to the Investment Manager. The Investment Adviser will pay the Sub-Adviser a fee equal to 50% of the fee paid to the Investment Adviser with respect to assets managed by the Sub-Adviser on a discretionary basis and 30% of the fee paid to the Investment Adviser with respect to assets managed by the Sub-Adviser on a non-discretionary basis.

Certain officers and/or directors of the Fund are officers and/or directors of the Investment Manager, the Investment Adviser, or the Sub-Adviser.

APPENDIX A

GENERAL CHARACTERISTICS AND RISKS OF DERIVATIVES

The following investment practices in which the Fund is authorized to engage are generally not currently permitted under Korean laws or regulations.

A detailed discussion of Derivatives (as defined below) that may be used by the Investment Adviser or the Sub-Adviser on behalf of the Fund follows below. The Fund will not be obligated, however, to use any Derivatives and makes no representation as to the availability of these techniques at this time or at any time in the future. "Derivatives," as used in this Appendix A, refers to interest rate, currency or stock index futures contracts, currency forward contracts and currency swaps, the purchase and sale (or writing) of exchange listed and over-the-counter ("OTC") put and call options on debt and equity securities, currencies, interest rate, currency or stock index futures and fixed income and stock indices and other financial instruments, entering into various interest rate transactions such as swaps, caps, floors, collars, entering into equity swaps, caps, floors or trading in other types of derivatives.

The Fund's ability to pursue certain of these strategies may be limited by the U.S. Commodity Exchange Act, as amended, applicable regulations of the Commodity Futures Trading Commission ("CFTC") thereunder and the federal income tax requirements applicable to regulated investment companies which are not operated as commodity pools.

PUT AND CALL OPTIONS ON SECURITIES AND INDICES

The Fund may purchase and sell put and call options on debt and equity securities and indices based upon the prices of debt or equity securities or other market or economic factors that may affect securities in which the Fund may invest, such as commodity price levels or rates of inflation. A put option on a security gives the purchaser of the option the right to sell and the writer the obligation to buy the underlying security at the exercise price during the option period. The Fund may also purchase and sell options on indices based upon the prices of debt or equity securities ("index options"). Index options are similar to options on securities except that, rather than taking or making delivery of securities underlying the option at a specified price upon exercise, an index option gives the holder the right to receive cash upon exercise of the option if the level of the index upon which the option is based is greater, in the case of a call, or less in the case of a put, than the exercise price of the option. The purchase of a put option on a security would be designed to protect against a substantial decline in the market value of a security held by the Fund. A call option on a security gives the purchaser of the option the right to buy and the writer the obligation to sell the underlying security at the exercise price during the option period. The purchase of a call option on a security would be intended to protect the Fund against an increase in the price of a security that it intended to purchase in the future. In the case of either put or call options that it has purchased, if the option expires without being sold or exercised, the Fund will experience a loss in the amount of the option premium plus any related commissions. When the Fund sells put and call options, it receives a premium as the seller of the option. The premium that the Fund receives for writing the option will serve as a partial hedge, in the amount of the option premium, against changes in value of the securities in its portfolio. During the term of the option, however, a covered call seller has, in return for the premium on the option, given up the opportunity for capital appreciation above the exercise price of the option if the value of the underlying security increases, but has retained the risk of loss should the price of the underlying security decline. Conversely, a secured put seller retains the risk of loss should the market value of the underlying security decline below the exercise price of the option, less the premium received on the sale of the option. The Fund is authorized to purchase and sell exchange listed options and over-the-counter options ("OTC Options") which are privately negotiated with the counterparty to such contract. U.S. listed options are issued by the Options Clearing Corporation ("OCC"), which guarantees the performance of the obligations of the parties to such options.

All such call options sold (written) by the Fund will be "covered" as long as the call is outstanding (i.e., the Fund will own the instrument subject to the call or other securities or assets acceptable under applicable segregation and coverage rules). All such put options sold (written) by the Fund will be secured by segregated assets consisting of cash or liquid high grade debt securities having a value not less than the exercise price.

The Fund's ability to close out its position as a purchaser or seller of an exchange listed put or call option is dependent upon the existence of a liquid secondary market. Among the possible reasons for the absence of a liquid secondary market on an exchange are: (i) insufficient trading interest in certain options; (ii) restrictions on transactions imposed by an exchange; (iii) trading halts, suspensions or other restrictions imposed with respect to particular classes or series of options or underlying securities; (iv)

interruption of the normal operations on an exchange; (v) inadequacy of the facilities of an exchange or the OCC to handle current trading volume; or (vi) a decision by one or more exchanges to discontinue the trading of options (or a particular class or series of options), in which event the secondary market on that exchange (or in that class or series of options) would cease to exist, although outstanding options on that exchange that had been listed by the OCC as a result of trades on that exchange would generally continue to be exercisable in accordance with their terms. OTC Options are purchased from or sold to dealers, financial institutions or other counterparties which have entered into direct agreements with the Fund. With OTC Options, such variables as expiration date, exercise price and premium will be agreed upon between the Fund and the counterparty, without the intermediation of a third party such as the OCC. If the counterparty fails to make or take delivery of the securities underlying an option it has written, or otherwise settle the transaction in accordance with the terms of that option as written, the Fund would lose the premium paid for the option as well as any anticipated benefit of the transaction. The Fund must rely on the credit quality of the counterparty rather than the guarantee of the OCC. OTC Options with foreign brokers in Korea subject the Fund to the credit of such brokers which may be weak, making such options speculative.

The hours of trading for options on securities may not conform to the hours during which the underlying securities are traded. To the extent that the option markets close before the markets for the underlying securities, significant price and rate movements can take place in the underlying markets that cannot be reflected in the option markets.

FUTURES CONTRACTS AND OPTIONS ON FUTURES CONTRACTS

Characteristics. The Fund may purchase and sell futures contracts on interest rates and indices of debt and equity securities or other financial indicators and purchase and sell (write) put and call options on such futures contracts traded on recognized domestic exchanges as a hedge against anticipated interest rate changes or movements in equity markets. The sale of a futures contract creates an obligation by the Fund, as seller, to deliver the specific type of financial instrument called for in the contract at a specified future time for a specified price. Options on futures contracts are similar to options on securities except that an option on a futures contract gives the purchaser the right in return for the premium paid to assume a position in a futures contract (a long position if the option is a call and a short position if the option is a put).

Margin Requirements. At the time a futures contract is purchased or sold, the Fund must allocate cash or securities as a deposit payment ("initial margin"). It is expected that the initial margin that the Fund will pay may range from approximately 1% to approximately 5% of the value of the instruments underlying the contract. In certain circumstances, however, such as during periods of high volatility, the Fund may be required by an exchange to increase the level of its initial margin payment. Additionally, initial margin requirements may be increased in the future pursuant to regulatory action. An outstanding futures contract is valued daily and the payment in cash of "variation margin" may be required, a process known as "marking to the market." Transactions in listed options and futures are usually settled by entering into an offsetting transaction, and are subject to the risk that the position may not be able to be closed if no offsetting transaction can be arranged.

Limitations on Use of Futures Contracts and Options on Futures Contracts. The Fund's use of futures contracts and options on futures contracts will in all cases be consistent with applicable regulatory requirements and in particular, the rules and regulations of the CFTC.

The Fund may enter into futures contracts or options thereon for purposes other than bona fide hedging if, immediately thereafter, the sum of the amount of its initial margin and premiums on open contracts and options would not exceed 5% of the liquidation value of the Fund's portfolio; provided, further, that in the case of an option that is in-the-money at the time of the purchase, the in-the-money amount may be excluded in calculating the 5% limitation. Also, when required, a segregated account of cash or cash equivalents will be maintained and marked to market in an amount equal to the market value of the contract. The Investment

Adviser and the Sub-Adviser may be required to comply with such different standards as may be established from time to time by CFTC (or Korean regulators) rules and regulations with respect to the purchase and sale of futures contracts and options thereon.

CURRENCY TRANSACTIONS

The Fund may deal in forward currency contracts and other currency transactions such as futures contracts, options, options on futures contracts and swaps for any purpose consistent with its investment objective and policies. Currency transactions include currency forward contracts, exchange listed

currency futures contracts, exchange listed and OTC options on currencies and currency swaps. A forward currency contract involves a privately negotiated obligation to purchase or sell (with delivery generally required) a specific currency at a future date, which may be any fixed number of days from the date of the contract agreed upon by the parties, at a price set at the time of the contract. A currency swap is an agreement to exchange cash flows based on the notional difference among two or more currencies and operates similarly to an interest rate swap, which is described below. The Fund may enter into currency transactions with counterparties that are determined to be creditworthy by Fidelity.

The following discussion summarizes some, but not all, of the possible currency management strategies involving forward contracts, options on currencies and futures on currencies that could be used by the Fund. Transaction hedging is entering into a currency transaction with respect to specific assets or liabilities of the Fund, which will generally arise in connection with the purchase or sale of the Fund's portfolio securities or the receipt of income from them. Position hedging is entering into a currency transaction with respect to portfolio security positions denominated or generally quoted in that currency.

The Fund may cross-hedge currencies by entering into transactions to purchase or sell one or more currencies that are expected to decline in value relative to other currencies to which the Fund has or in which the fund expects to have portfolio exposure. To reduce the effect of currency fluctuations on the value of existing or anticipated holdings of portfolio securities, the Fund may also engage in proxy hedging. Proxy hedging is often used when the currency to which the Fund's portfolio is exposed is difficult to hedge or to hedge against the U.S. dollar. Proxy hedging entails entering into a forward contract to sell a currency whose changes in value are generally considered to be well correlated with a currency or currencies in which some or all of the Fund's portfolio securities are or are expected to be denominated, and to buy U.S. dollars. Currency transactions can result in losses to the Fund if the currency being hedged fluctuates in value to a degree or in a direction that is not anticipated. Further, the risk exists that the perceived linkage between various currencies may not be present or may not be present during the particular time that the Fund is engaging in proxy hedging. If the Fund enters into a currency hedging transaction, the Fund will comply with the asset segregation requirements described below. The Fund may enter into forward contracts to shift its investment exposure from one currency into another currency that is expected to perform better relative to the U.S. dollar. For example, if the Fund held investments denominated in or otherwise exposed to the Japanese Yen, the Fund could enter into forward contracts to sell Japanese Yen and purchase Hong Kong Dollars. This type of strategy, sometimes known as a "cross-hedge," will tend to reduce or eliminate exposure to the currency that is sold, and increase exposure to the currency that is purchased, much as if the Fund had sold a security denominated in one currency and purchased an equivalent security denominated in another. Cross-hedges protect against losses resulting from a decline in the hedged currency, but will cause the Fund to assume the risk of fluctuations in the value of the currency it purchases.

Successful use of forward currency contracts will depend on the Investment Adviser and the Sub-Adviser's skill in analyzing and predicting currency values. Forward contracts may substantially change the Fund's investment exposure to changes in currency exchange rates, and could result in losses to the Fund if currencies do not perform as the Sub-Adviser anticipates. For example, if a currency's value rose at a time when the Investment Adviser and the Sub-Adviser had hedged the Fund by selling that currency in exchange for U.S. dollars, the Fund would be unable to participate in the currency's appreciation. If the Investment Adviser or the Sub-Adviser hedges currency exposure through proxy hedges, the Fund could realize currency losses from the hedge and the security position at the same time if the two currencies do not move in tandem. Similarly, if the Investment Adviser or the Sub-Adviser increases the Fund's exposure to a foreign currency, and that currency's value declines, the Fund will realize a loss. There is no assurance that the Investment

Adviser's or the Sub-Adviser's use of forward currency contracts will be advantageous to the Fund, or that they will hedge at an appropriate time.

Currency transactions are subject to risks different from those of other portfolio transactions. Because currency control is of great importance to the issuing governments and influences economic planning and policy, purchases and sales of currency and related instruments can be adversely affected by government exchange controls, limitations or restrictions on repatriation of currency, and manipulations or exchange restrictions imposed by governments. These forms of governmental actions can result in losses to the Fund if it is unable to deliver or receive currency or monies in settlement of obligations and could also cause hedges it has entered into to be rendered useless, resulting in full currency exposure as well as incurring transaction costs. Buyers and sellers of currency futures are subject to the same risks that apply to the use of futures generally. Further, settlement of a currency futures contract for the

purchase of most currencies must occur at a bank based in the issuing nation. Trading options on currency futures is relatively new, and the ability to establish and close out positions on these options is subject to the maintenance of a liquid market that may not always be available. Currency exchange rates may fluctuate based on factors extrinsic to that country's economy.

INTEREST RATE TRANSACTIONS

The Fund may enter into interest rate swaps and may purchase or sell interest rate caps and floors. The Fund would enter into these transactions primarily to preserve a return or spread on a particular investment or portion of its portfolio, to manage the duration of its portfolio or to protect against any increase in the price of the securities the Fund anticipates purchasing at a later date or for any other purpose consistent with its objective.

The Fund may enter into interest rate swaps, caps and floors on either an asset-based or liability-based basis, depending on whether it is hedging its assets or liabilities, and will usually enter into interest rate swaps on a net basis, i.e., the two payments are netted out, with the Fund receiving or paying, as the case may be, only the net amount of the two payments on the payment date. If there is a default by the other party to such a transaction, the Fund will have contractual remedies pursuant to the agreements related to the transaction. The swap market has grown substantially in recent years with a large number of banks and investment banking firms acting both as principals and as agents utilizing standardized swap documentation. Caps and floors are more recent innovations for which standardized documentation has not yet been developed and, accordingly, they are less liquid than swaps.

EQUITY SWAPS AND RELATED TRANSACTIONS

The Fund may enter into equity swaps and may purchase or sell equity caps and floors. The Fund would enter into these transactions primarily to preserve a return or spread on a particular investment or portion of its portfolio, or to protect against any increase in the price of the securities the Fund anticipates purchasing at a later date or for any other purpose consistent with its objective.

The Fund may enter into equity swaps, caps and floors on either an asset-based or liability-based basis, depending on whether it is hedging its assets or liabilities, and will usually enter in equity swaps on a net basis, i.e., the two payment streams are netted out, with the Fund receiving or paying, as the case may be, only the net amount of the two payments on the payment date. If there is a default by the other party to such a transaction, the Fund will have contractual remedies pursuant to the agreements related to the transaction. The swap market has grown substantially in recent years with a large number of banks and investment banking firms acting both as principals and as agents utilizing standardized swap documentation. Caps and floors are more recent innovations for which standardized documentation has not yet been developed and, accordingly, they are less liquid than swaps. Equity swaps, caps and floors generally will be considered illiquid. In such instances, investment in such equity swaps, caps and floors will be governed by the Fund's policy on investment in illiquid securities and such securities will be included in the 35% limit on investment in illiquid securities by the Fund. The staff of the Securities and Exchange Commission has taken the position that equity swaps, caps and floors are illiquid securities. See "Risk Factors and Special Considerations -- Thinly Traded Markets and Illiquid Investments" and "Investment Objective and Policies -- Other Investments."

RISKS OF DERIVATIVES

The use of Derivatives involves special risks, including possible default by the other party to the transaction, illiquidity and, to the extent the Investment Adviser's or the Sub-Adviser's view as to certain market movements is incorrect, the risk that the use of Derivatives could result in losses greater than if such investment strategies had not been used. The use of currency transactions could result in the Fund's incurring losses as a result of the imposition of exchange controls, suspension of settlements, or the inability to deliver or receive a specified currency. The use of options and futures transactions entails certain special risks. In particular, the variable degree of correlation between price movements in the related portfolio position of the Fund could create the possibility that losses on the hedging instrument are greater than gains in the value of the Fund's position. In addition, futures and options markets could be illiquid in some circumstances and certain over-the-counter options could have no markets. As a result, in certain markets, the Fund might not be able to close out a position without incurring substantial losses. Although the Fund's use of futures and options transactions for hedging purposes should tend to minimize the risk of loss due to a decline in the value of the hedged position at the same time it will tend to limit any potential gain to the Fund that might result from an increase in value of the position. Finally, the daily variation margin requirements for futures contracts create a greater ongoing potential financial risk than would purchases of options, in

which case the exposure is united to the cost of the initial premium and transaction costs. Losses resulting from Derivatives will reduce the Fund's net asset value, and possibly income, and the losses can be greater than if the Derivatives had not been used.

When conducted outside the United States, the use of Derivatives may not be regulated as rigorously as in the United States, may not involve a clearing mechanism and related guarantees, and will be subject to the risk of governmental actions affecting trading in, or the prices of, foreign securities, currencies and other instruments. The value of positions taken as part of non-U.S. Hedging also could be adversely affected by: (1) other complex foreign political, legal and economic factors; (2) lesser availability of data on which to make trading decisions in the United States; (3) delays in the Fund's ability to act upon economic events occurring in foreign markets during non-business hours in the United States; (4) the imposition of different exercise and settlement terms and procedures and margin requirements than in the United States; and (5) lower trading volume and liquidity.

SEGREGATION AND COVER REQUIREMENTS

Many of the Derivatives which may be used by the Fund are subject to segregation and coverage requirements established by either the CFTC or the SEC, with the result that, if the Fund does not hold the instrument underlying the futures contract or option or another offsetting position, the Fund may be required to segregate on an ongoing basis with its custodian, cash, U.S. government securities, or other liquid high grade debt obligations in an amount at least equal to the Fund's obligations with respect to such instruments. Such amounts will fluctuate as the market value of the obligations increases or decreases. The segregation requirement can result in the Fund maintaining positions it would otherwise liquidate and consequently segregating assets with respect thereto at a time when it might be disadvantageous to do so. In addition, with respect to futures contracts purchased by the Fund, the Fund will also be subject to the segregation requirements with respect to the value of the instruments underlying the futures contract. In general, those Derivatives in which the Fund may invest which involve the possibility of leverage are subject to segregation and coverage requirements that do not require offsetting positions and are not subject to such requirements.

OTHER LIMITATIONS

The degree of the Fund's use of Derivatives may be limited by certain provisions of the Code. See "Taxation."

APPENDIX B

DEBT RATINGS

A description of the rating policies of Moody's and S&P with respect to bonds and debentures appears below.

MOODY'S INVESTORS SERVICE'S CORPORATE BOND RATINGS

Aaa -- Bonds which are rated Aaa are judged to be of the best quality and carry the smallest degree of investment risk. Interest payments are protected by a large or by an exceptionally stable margin, and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

Aa -- Bonds which are rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa securities.

A -- Bonds which are rated A possess many favorable investment qualities and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment sometime in the future.

Baa -- Bonds which are rated Baa are considered as medium grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

Ba -- Bonds which are rated Ba are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate and thereby not well

safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.

B -- Bonds which are rated B generally lack characteristics of a desirable investment. Assurance of interest and principal payments or of maintenance and other terms of the contract over any long period of time may be small.

Caa -- Bonds which are rated Caa are of poor standing. Such issues may be in default or there may be present elements of danger with respect to principal or interest.

Ca -- Bonds which are rated Ca represent obligations which are speculative in high degree. Such issues are often in default or have other marked shortcomings.

C -- Bonds which are rated C are the lowest rated class of bonds and issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

Moody's applies numerical modifiers "1", "2" and "3" to certain of its rating classifications. The modifier "1" indicates that the security ranks in the higher end of its generic rating category; the modifier "2" indicates a mid-range ranking; and the modifier "3" indicates that the issue ranks in the lower end of its generic rating category.

STANDARD & POOR'S CORPORATE BOND RATINGS

AAA -- This is the highest rating assigned by Standard & Poor's to a debt obligation and indicates an extremely strong capacity to repay principal and pay interest.

AA -- Bonds rated AA also qualify as high quality debt obligations. Capacity to pay principal and interest is very strong, and differs from AAA issues only in small degree.

A -- Bonds rated A have a strong capacity to repay principal and pay interest, although they are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher rated categories.

BBB -- Bonds rated BBB are regarded as having an adequate capacity to repay principal and pay interest. Whereas they normally exhibit adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to repay principal and pay interest for bonds in this category than for higher rated categories.

BB-B-CCC-CC-C -- Bonds rated BB, B, CCC and CC, and C are regarded, on balance, as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations. BB indicates the lowest degree of speculation and C the highest degree of speculation. While such bonds will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.

CI -- Bonds rated CI are income bonds on which no interest is being paid.

D -- Bonds rated D are in default. The D category is used when interest payments or principal payments are not made on the date due even if the applicable grace period has not expired unless S&P believes that such payments will be made during such grace period. The D rating is also used upon the filing of a bankruptcy petition if debt service payments are jeopardized.

The ratings set forth above may be modified by the addition of a plus or minus to show relative standing within the major rating categories.

MOODY'S INVESTORS SERVICE'S COMMERCIAL PAPER RATINGS

Prime-1 -- Issuers (or related supporting institutions) rated Prime-1 have a superior ability for repayment of senior short-term debt obligations. Prime-1 repayment ability will often be evidenced by many of the following characteristics: leading market positions in well-established industries, high rates of return on funds employed, conservative capitalization structures with moderate reliance on debt and ample asset protection, broad margins in earnings coverage of fixed financial charges and high internal cash generation, and well-established access to a range of financial markets and assured sources of alternate liquidity.

Prime-2 -- Issuers (or related supporting institutions) rated Prime-2 have a strong ability for repayment of senior short-term debt obligations. This will normally be evidenced by many of the characteristics cited above but to a lesser degree. Earnings trends and coverage ratios, while sound, will be more subject

to variation. Capitalization characteristics, while still appropriate, may be more affected by external conditions. Ample alternative liquidity is maintained.

Prime-3 -- Issuers (or related supporting institutions) rated Prime-3 have an acceptable ability for repayment of senior short-term obligations. The effect of industry characteristics and market compositions may be more pronounced. Variability in earnings and profitability may result in changes in the level of debt protection measurements and the requirement for relatively high financial leverage. Adequate alternate liquidity is maintained.

Not Prime -- Issuers rated Not Prime do not fall within any of the Prime rating categories.

STANDARD & POOR'S COMMERCIAL PAPER RATINGS

A S&P commercial paper rating is a current assessment of the likelihood of timely payment of debt having an original maturity of no more than 365 days. Ratings are graded into several categories, ranging from "A-1" for the highest quality obligations to "D" for the lowest. The four categories are as follows:

A-1 -- This highest category indicates that the degree of safety regarding timely payment is strong. Those issues determined to possess extremely strong safety characteristics are denoted with a plus (+) sign designation.

A-2 -- Capacity for timely payment on issues with this designation is satisfactory. However, the relative degree of safety is not as high as for issues designated "A-1".

A-3 -- Issues carrying this designation have adequate capacity for timely payment. They are, however, somewhat more vulnerable to the adverse effects of changes in circumstances than obligations carrying the higher designations.

B -- Issues rated "B" are regarded as having only speculative capacity for timely payment.

C -- This rating is assigned to short-term debt obligations with a doubtful capacity for payment.

D -- Debt rated "D" is in payment default. The "D" rating category is used when interest payments or principal payments are not made on the date due, even if the applicable grace period has not expired, unless S&P believes that such payments will be made during such grace period.

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NO DEALER, SALESPERSON OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THIS OFFERING OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE FUND, THE FUND'S INVESTMENT MANAGER, INVESTMENT ADVISER OR SUB-ADVISER OR ANY UNDERWRITER. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE FUND SINCE THE DATE HEREOF OR THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE. HOWEVER, IF ANY MATERIAL CHANGE OCCURS WHILE THIS PROSPECTUS IS REQUIRED BY LAW TO BE DELIVERED, THIS PROSPECTUS WILL BE SUPPLEMENTED OR AMENDED ACCORDINGLY. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR SOLICITATION OF AN OFFER TO BUY ANY OF THE SECURITIES OFFERED THEREBY IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION IN SUCH JURISDICTION.

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UNTIL , 1994, ALL DEALERS EFFECTING TRANSACTIONS IN THE COMMON STOCK, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN addition TO THE OBLIGATION OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

5,250,000 SHARES

FIDELITY ADVISOR
KOREA FUND, INC.

COMMON STOCK

PROSPECTUS

BARING SECURITIES INC.

DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION

DILLON, READ & CO. INC.

COWEN & COMPANY

LEGG MASON WOOD WALKER
INCORPORATED

RAUSCHER PIERCE REFSNES, INC.

RAYMOND JAMES & ASSOCIATES, INC.

October , 1994

PART C -- OTHER INFORMATION

ITEM 24. FINANCIAL STATEMENTS AND EXHIBITS

(1)	Financial Statements			
	--	Report of Independent Accountants		
	--	Statement of Assets and Liabilities dated October 20, 1994		
(2)	Exhibits			
(a)	--	Articles of Incorporation**		

(b)		--	By-Laws, as amended*
(c)		--	Not applicable
(d)		--	Specimen certificate for Common Stock, par value $.001 per share*
(e)		--	Dividend Reinvestment and Cash Purchase Plan*
(f)		--	Not applicable
(g)	(1)	--	Form of Management Agreement with the Investment Manager*
	(2)	--	Form of Advisory Agreement with the Investment Adviser*
	(3)	--	Form of Sub-Advisory Agreement with Sub-Adviser*
(h)	(1)	--	Form of U.S. Underwriting Agreement*
	(2)	--	Form of International Underwriting Agreement*
	(3)	--	Form of Master Agreement Among U.S. Underwriters*
	(4)	--	Form of U.S. Selling Agreement*
	(5)	--	Form of Agreement Among International Managers*
	(6)	--	Form of International Selling Agreement*
	(7)	--	Form of Agreement between U.S. Underwriters and International Managers*
(i)		--	Not applicable
(j)		--	Form of U.S. Custodian Agreement*
(k)	(1)	--	Form of Transfer Agency and Service Agreement*
	(2)	--	Form of Administration Agreement*
(l)	(1)	--	Opinion and Consent of Rogers & Wells*
	(2)	--	Opinion and Consent of Piper & Marbury*
	(3)	--	Opinion and Consent of Shin & Kim*
(m)		--	Not applicable
(n)		--	Consent of Independent Accountants*
(o)		--	Not applicable
(p)		--	Form of Investment Letter*
(q)		--	Not applicable
(3) Other Exhibit			
		--	Power of Attorney of Edward C. Johnson 3d**

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* Filed herewith.

** Previously filed.

ITEM 25. MARKETING ARRANGEMENTS

See Exhibit 2(h) to this Registration Statement.

ITEM 26. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the estimated expenses to be incurred in connection with the offering described in this Registration Statement.

U.S. Securities and Exchange Commission registration fees	$ 32,229
New York Stock Exchange listing fee	88,100
Printing (other than stock certificates)	168,000
Engraving and printing stock certificates	16,000
Fees and expenses of qualification under state securities laws (including fees of counsel)	20,000
Auditing and accounting fees	2,900
Underwriters' expenses allowance	200,000
Legal fees and expenses	140,000
NASD fee	9,500
Miscellaneous	23,271
Total	$700,000

ITEM 27. PERSONS CONTROLLED BY OR UNDER COMMON CONTROL WITH REGISTRANT

Not applicable

ITEM 28. NUMBER OF HOLDERS OF SECURITIES

As of the effective date of the Registration Statement:

TITLE OF CLASS	NUMBER OF RECORD HOLDERS

<S> <C>
Common Stock, $.001 par value..... one
</TABLE>

ITEM 29. INDEMNIFICATION

Section 2-418 of the General Corporation Law of the State of Maryland, Article SEVENTH of the Fund's Articles of Incorporation, Article VII of the Fund's By-Laws, the U.S. Underwriting Agreement, the International Underwriting Agreement and the Administration Agreement provide for indemnification.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the "Act"), may be permitted to directors, officers and controlling persons of the Fund, pursuant to the foregoing provisions or otherwise, the Fund has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Fund of expenses incurred or paid by a director, officer or controlling person of the Fund in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Fund will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

ITEM 30. BUSINESS AND OTHER CONNECTIONS OF INVESTMENT MANAGER AND INVESTMENT ADVISER

The description of the business of Fidelity Management & Research Company ("FMR"), Fidelity International Investment Advisors ("FIIA") and Fidelity Investments Japan Limited ("FIJ") is set forth under the caption "Management of the Fund" in the Prospectus forming part of this Registration Statement.

The information as to the directors and officers of FMR, FIIA and FIJ is set forth in their respective Form ADVs filed with the Securities and Exchange Commission (File No. 801-7884), (File No. 801-21347) and (File No. 801-45731), each as amended as of the date hereof is incorporated herein by reference.

ITEM 31. LOCATION OF ACCOUNTS AND RECORDS

Fidelity Advisor Korea Fund, Inc.
82 Devonshire Street, Boston, Massachusetts 02109

(Fund's Articles of Incorporation and By-Laws)

Fidelity Management & Research Company
82 Devonshire Street, Boston, Massachusetts 02109

(with respect to its services as Investment Manager)

Fidelity International Investment Advisors
Pembroke Hall, 42 Crow Lane, Pembroke, Bermuda

(with respect to its service as Investment Adviser)

Fidelity Investments Japan Limited
19th Floor, Shiroyama JT Mori Building, 4-3-1

Toranomon, Minato-ku, Tokyo 105, Japan

(with respect to its services as Sub-Adviser)

Fidelity Service Co.

82 Devonshire Street, Boston, Massachusetts 02109

(with respect to its services as Administrator)

The Chase Manhattan Bank, N.A.
1211 Avenue of the Americas, 39th Floor
New York, New York 10036

(with respect to its services as Custodian for the Fund's U.S. assets)

State Street Bank and Trust Company
Two Heritage Drive, Quincy, Massachusetts 02171

(with respect to its services as Transfer Agent)

ITEM 32. MANAGEMENT SERVICES

Not applicable

ITEM 33. UNDERTAKINGS

(a) The Fund undertakes to suspend offering its shares until it amends its prospectus contained herein if (1) subsequent to the effective date of its registration statement, the net asset value per share declines more than 10 percent from its net asset value per share as of the effective date of this registration statement or (2) the net asset value increases to an amount greater than its net proceeds as stated in the prospectus.

(b) The Fund hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Fund under Rule 497(h) under the Securities Act of 1933 shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, and the Investment Company Act of 1940, as amended, the Registrant has duly caused this Amendment to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, the State of New York on the 24th day of October, 1994.

FIDELITY ADVISOR KOREA FUND, INC.

By: /s/ EDWARD C. JOHNSON 3d

Edward C. Johnson 3d, President
Chairman of the Board

Pursuant to the requirements of the Securities Act of 1933, as amended, this Amendment to the Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

SIGNATURE	TITLE	DATE
<C>	<S>	<C>
/s/ EDWARD C. JOHNSON 3d Edward C. Johnson 3d	Director and President	October 24, 1994
/s/ J. GARY BURKHEAD J. Gary Burkhead	Director and Senior Vice President (Principal Executive Officer)	October 24, 1994
/s/ GARY L. FRENCH Gary L. French	Treasurer (Principal Financial and Accounting Officer	October 24, 1994

/s/ H.F. VAN DEN HOVEN H.F. Van den Hoven	Director	October 24, 1994
/s/ DAVID YUNICH David Yunich	Director	October 24, 1994
/s/ BERTRAM WITHAM Bertram Witham	Director	October 24, 1994

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FIDELITY ADVISOR KOREA FUND, INC.

A MARYLAND CORPORATION

BY-LAWS

OCTOBER 20, 1994

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FIDELITY ADVISOR KOREA FUND, INC.

By-Laws

ARTICLE I

Stockholders

Section 1.1. Place of Meeting. All meetings of the

stockholders should be held at the principal office of the Corporation in the State of Maryland or at such other place within the United States as may from time to time be designated by the Board of Directors and stated in the notice of such meeting.

Section 1.2. Annual Meetings. The annual meeting of the stockholders of the Corporation shall be held during the month of February of each year on such date and at such hour as may from time to time be designated by the Board of Directors and stated in the notice of such meeting, for the purpose of electing directors for the ensuing year and for the transaction of such other business as may properly be brought before the meeting.

Section 1.3. Special Meetings. Special meetings of the stockholders for any purpose or purposes may be called by the Chairman of the Board, the President, or a majority of the Board of Directors. Special meetings of stockholders shall also be called by the Secretary upon receipt of the request in writing signed by stockholders holding not less than 25% of the votes entitled to be cast thereat. Such request shall state the purpose or purposes of the proposed meeting and the matters proposed to be acted on at such proposed meeting. The Secretary shall inform such stockholders of the reasonably estimated costs of preparing and mailing such notice of meeting and upon payment to the Corporation

of such costs, the Secretary shall give notice as required in this Article to all stockholders entitled to notice of such meeting. No special meeting of stockholders need be called upon the request of the holders of common stock entitled to cast less than a majority of all votes entitled to be cast at such meeting to consider any matter which is substantially the same as a matter voted upon at any special meeting of stockholders held during the preceding twelve months.

Section 1.4. Notice of Meetings of Stockholders. Not less than ten days' and not more than ninety days' written or printed notice of every meeting of stockholders, stating the time and place thereof (and the purpose of any special meeting), shall be given to each stockholder entitled to vote thereat and to each other stockholder entitled to notice of the meeting by leaving the same with such stockholder or at such stockholder's residence or usual place of business or by mailing it, postage prepaid, and addressed to such stockholder at such stockholder's address as it appears upon the books of the Corporation. If mailed, notice shall be deemed to be given when deposited in the mail addressed to the stockholder as aforesaid.

No notice of the time, place or purpose of any meeting of stockholders need be given to any stockholder who attends in person or by proxy or to any stockholder who, in writing executed and filed with the records of the meeting, either before or after the holding thereof, waives such notice.

Section 1.5. Record Dates. The Board of Directors may fix, in advance, a record date for the determination of

stockholders entitled to notice of or to vote at any stockholders meeting or to receive a dividend or be allotted rights or for the purpose of any other proper determination with respect to stockholders and only stockholders of record on such date shall be entitled to notice of and to vote at such meeting or to receive such dividends or rights or otherwise, as the case may be; provided, however, that such record date shall not be prior to ninety days preceding the date of any such meeting of stockholders, dividend payment date, date for the allotment of rights or other such action requiring the determination of a record date; and further provided that such record date shall not be prior to the close of business on the day the record date is fixed, that the transfer books shall not be closed for a period longer than 20 days, and that in the case of a meeting of stockholders, the record date or the closing of the transfer books shall not be less than ten days prior to the date fixed for such

meeting.

Section 1.6. Quorum; Adjournment of Meetings. The presence in person or by proxy of stockholders entitled to cast a majority of the votes entitled to be cast thereat shall constitute a quorum at all meetings of the stockholders, except as otherwise provided in the Articles of Incorporation. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the holders of a majority of the stock present in person or by proxy shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until the requisite amount of stock entitled to vote at such meeting shall be present, to a date not more than 120 days

after the original record date. At such adjourned meeting at which the requisite amount of stock entitled to vote thereat shall be represented, any business may be transacted which might have been transacted at the meeting as originally notified.

Any meeting of stockholders, annual or special, may adjourn from time to time to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the Corporation may transact any business which might have been transacted at the original meeting.

Section 1.7. Voting and Inspectors. At all meetings, stockholders of record entitled to vote thereat shall have one vote for each share of common stock standing in his name on the books of the Corporation (and such stockholders of record holding fractional shares, if any, shall have proportionate voting rights) on the date for the determination of stockholders entitled to vote at such meeting, either in person or by proxy appointed by instrument in writing subscribed by such stockholder or his duly authorized attorney.

All elections shall be had and all questions decided by a majority of the votes cast at a duly constituted meeting, except as otherwise provided by statute or by the Articles of Incorporation or by these By-Laws.

At any election of Directors, the Chairman of the meeting may, and upon the request of the holders of ten percent (10%) of the stock entitled to vote at such election shall, appoint two

inspectors of election who shall first subscribe an oath or affirmation to execute faithfully the duties of inspectors at such election with strict impartiality and according to the best of their ability, and shall after the election make a certificate of the result of the vote taken. No candidate for the office of Director shall be appointed such Inspector.

Section 1.8. Conduct of Stockholders' Meetings. The meetings of the stockholders shall be presided over by the Chairman of the Board, or if he is not present, by the President, or if he is not present, by a Vice-President, or if none of them is present, by a Chairman to be elected at the meeting. The Secretary of the Corporation, if present, shall act as a Secretary of such meetings, or if he is not present, an Assistant Secretary shall so act; if neither the Secretary nor the Assistant Secretary is present, then the meeting shall elect its Secretary.

Section 1.9. Concerning Validity of Proxies, Ballots, etc. At every meeting of the stockholders, all proxies shall be received and taken in charge of and all ballots shall be received and canvassed by the Secretary of the meeting, who shall decide all questions touching the qualification of voters, the validity of the proxies and the acceptance or rejection of votes, unless inspectors of election shall have been appointed by the Chairman of the

meeting, in which event such inspectors of election shall decide all such questions. Unless a proxy provides otherwise, it is not valid for more than eleven months after its date.

Section 1.10. Action Without Meeting. Any action to be taken by stockholders may be taken without a meeting if (1) all

stockholders entitled to vote on the matter consent to the action in writing, (2) all stockholders entitled to notice of the meeting but not entitled to vote at it sign a written waiver of any right to dissent and (3) said consents and waivers are filed with the records of the meetings of stockholders. Such consent shall be treated for all purposes as a vote at the meeting.

ARTICLE II
Board of Directors

Section 2.1. Function of Directors. The business and affairs of the Corporation shall be conducted and managed under the direction of its Board of Directors. All powers of the Corporation shall be exercised by or under authority of the Board of Directors except as conferred on or reserved to the stockholders by statute.

Section 2.2. Number of Directors. The Board of Directors shall consist of not more than twelve (12) Directors nor less than such number of Directors as may be permitted under Maryland law, as may be determined from time to time by vote of a majority of the Directors then in office. Directors need not be stockholders.

Section 2.3. Classes of Directors. The Directors shall be divided into three classes, designated Class I, Class II and Class III. All classes shall be as nearly equal in number as possible. The Directors as initially classified shall hold office for terms as follows: the Class I Directors shall hold office until the date of the annual meeting of stockholders in 1995 or until their successors shall be elected and qualified; the Class II Directors shall hold office until the date of the annual meeting of

stockholders in 1996 or until their successors shall be elected and qualified; and the Class III Directors shall hold office until the date of the annual meeting of stockholders in 1997 or until their successors shall be elected and qualified. Upon expiration of the term of office of each class as set forth above, the Directors in each class shall be elected for a term of three years to succeed the Directors whose terms of office expire, except that the Directors elected in 1998 and 1999 shall be elected for a term of two years and one year, respectively, to succeed the Directors whose terms of office expire. Commencing on the date of the annual meeting of stockholders in 2000, the Directors will no longer be divided into classes and will each stand for election at such meeting and on each annual meeting of stockholders held thereafter. Each Director shall hold office until the expiration of his term and until his successor shall have been elected and qualified.

Section 2.4. Vacancies. In case of any vacancy in the Board of Directors through death, resignation or other cause, other than an increase in the number of Directors, subject to the provisions of law, a majority of the remaining Directors, although a majority is less than a quorum, by an affirmative vote, may elect a successor to hold office until the next annual meeting of stockholders or until his successor is chosen and qualified.

Section 2.5. Increase or Decrease in Number of Directors. The Board of Directors, by the vote of a majority of the entire Board, may

increase the number of Directors and may elect Directors to fill the vacancies created by any such increase in the number of Directors until the next annual meeting of

stockholders or until their successors are duly chosen and qualified. The Board of Directors, by the vote of a majority of the entire Board, may likewise decrease the number of Directors to a number not less than that permitted by law.

Section 2.6. Place of Meeting. The Directors may hold their meetings within or outside the State of Maryland, at any office or offices of the Corporation or at any other place as they may from time to time determine.

Section 2.7. Regular Meetings. Regular meetings of the Board of Directors shall be held at such time and on such notice as the Directors may from time to time determine.

The annual meeting of the Board of Directors shall be held as soon as practicable after the annual meeting of the stockholders for the election of Directors.

Section 2.8. Special Meetings. Special meetings of the Board of Directors may be held from time to time upon call of the Chairman of the Board, the President, the Secretary or two or more of the Directors, by oral or telegraphic or written notice duly served on or sent or mailed to each Director not less than one day before such meeting.

Section 2.9. Notices. Unless required by statute or otherwise determined by resolution of the Board of Directors in accordance with these By-laws, notices to Directors need not be in writing and need not state the business to be transacted at or the purpose of any meeting, and no notice need be given to any Director who is present in person or to any Director who, in writing executed and filed with the records of the meeting either before or

after the holding thereof, waives such notice. Waivers of notice need not state the purpose or purposes of such meeting.

Section 2.10. Quorum. One-third of the Directors then in office shall constitute a quorum for the transaction of business, provided that if there is more than one Director, a quorum shall in no case be less than two Directors. If at any meeting of the Board there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time until a quorum shall have been obtained. The act of the majority of the Directors present at any meeting at which there is a quorum shall be the act of the Directors, except as may be otherwise specifically provided by statute or by the Articles of Incorporation or by these By-Laws.

Section 2.11. Executive Committee. The Board of Directors may appoint from the Directors an Executive Committee to consist of such number of Directors (not less than two) as the Board may from time to time determine. The Chairman of the Committee shall be elected by the Board of Directors. The Board of Directors shall have power at any time to change the members of such Committee and may fill vacancies in the Committee by election from the Directors. When the Board of Directors is not in session, to the extent permitted by law, the Executive Committee shall have and may exercise any or all of the powers of the Board of Directors in the management and conduct of the business and affairs of the Corporation. The Executive Committee may fix its own rules of procedure, and may meet when and as provided by such rules or by resolution of the Board of Directors, but in every case the

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presence of a majority shall be necessary to constitute a quorum. During the absence of a member of the Executive Committee, the remaining members may appoint a member of the Board of Directors to act in his place.

Section 2.12. Other Committees. The Board of Directors may appoint from the Directors other committees which shall in each case consist of such number of Directors (not less than two) and shall have and may exercise such powers as the Board may determine in the resolution appointing them. A majority of all the members of any such committee may determine its action and fix the time and place of its meetings, unless the Board of Directors shall otherwise provide. The Board of Directors shall have power at any time to change the members and powers of any such committee, to fill vacancies and to discharge any such committee.

Section 2.13. Telephone Meetings. Members of the Board of Directors or a committee of the Board of Directors may participate in a meeting by means of a conference telephone or similar communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means, subject to the provisions of the Investment Company Act of 1940, as amended, constitutes presence in person at the meeting.

Section 2.14. Action Without a Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors or any committee thereof may be taken without a meeting, if a written consent to such action is signed by all members of the Board or of such committee, as the case may be, and such written

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consent is filed with the minutes of the proceedings of the Board or such committee.

Section 2.15. Compensation of Directors. No Director shall receive any stated salary or fees from the Corporation for his services as such if such Director is, otherwise than by reason of being such Director, an interested person (as such term is defined by the Investment Company Act of 1940, as amended) of the Corporation or of its investment manager or principal underwriter. Except as provided in the preceding sentence, Directors shall be entitled to receive such compensation from the Corporation for their services as may from time to time be voted by the Board of Directors.

ARTICLE III

Officers

Section 3.1. Executive Officers. The executive officers of the Corporation shall be chosen by the Board of Directors. These may include a Chairman of the Board of Directors (who shall be a Director) and shall include a President, a Secretary and a Treasurer. The Board of Directors or the Executive Committee may also in its discretion appoint one or more Vice-Presidents, Assistant Secretaries, Assistant Treasurers and other officers, agents and employees, who shall have such authority and perform such duties as the Board of Directors or the Executive Committee may determine. The Board of Directors may fill any vacancy which may occur in any office. Any two offices, except those of President and Vice-President, may be held by the same person, but no officer shall execute, acknowledge or verify any instrument in

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more than one capacity, if such instrument is required by law or these By-Laws to be executed, acknowledged or verified by two or more officers.

Section 3.2. Term of Office. The term of office of all officers shall be one year and until their respective successors are chosen and qualified. Any officer may be removed from office at any time with or without cause by the vote of a majority of the whole Board of Directors. Any officer may resign his office at any time by delivering a written resignation to the Corporation and, unless otherwise specified therein, such resignation shall take effect upon delivery.

Section 3.3. Powers and Duties. The officers of the Corporation shall have such powers and duties as shall be stated in a resolution of the Board of Directors, or the Executive Committee and, to the extent not so stated, as generally pertain to their respective offices, subject to the control of the Board of Directors and the Executive Committee.

Section 3.4. Surety Bonds. The Board of Directors may require any officer or agent of the Corporation to execute a bond (including, without limitation, any bond required by the Investment Company Act of 1940, as amended, and the rules and regulations of the Securities and Exchange Commission) to the Corporation in such sum and with such surety or sureties as the Board of Directors may determine, conditioned upon the faithful performance of his duties to the Corporation, including responsibility for negligence and for the accounting of any of the Corporation's property, funds or securities that may come into his hands.

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ARTICLE IV

Capital Stock

Section 4.1. Certificates for Shares. Each stockholder of the Corporation shall be entitled to a certificate or certificates for the full number of shares of stock of the Corporation owned by him in such form as the Board may from time to time prescribe.

Section 4.2. Transfer of Shares. Shares of the Corporation shall be transferable on the books of the Corporation by the holder thereof in person or by his duly authorized attorney or legal representative, upon surrender and cancellation of certificates, if any, for the same number of shares, duly endorsed or accompanied by proper instruments of assignment and transfer, with such proof of the authenticity of the signature as the Corporation or its agents may reasonably require; in the case of shares not represented by certificates, the same or similar requirements may be imposed by the Board of Directors.

Section 4.3. Stock Ledgers. The stock ledgers of the Corporation, containing the names and addresses of the stockholders and the number of shares held by them respectively, shall be kept at the principal offices of the Corporation or, if the Corporation employs a Transfer Agent, at the offices of the Transfer Agent of the Corporation.

Section 4.4. Transfer Agents and Registrars. The Board of Directors may from time to time appoint or remove transfer agents and/or registrars of transfers of shares of stock of the Corporation, and it may appoint the same person as both transfer

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agent and registrar. Upon any such appointment being made, all certificates representing shares of capital stock thereafter issued shall be countersigned by one of such transfer agents or by one of such registrars of transfers or by both and shall not be valid unless so countersigned. If the same person shall

be both transfer agent and registrar, only one countersignature by such person shall be required.

Section 4.5. Lost, Stolen or Destroyed Certificates. The Board of Directors or the Executive Committee or any officer or agent authorized by the Board of Directors or Executive Committee may determine the conditions upon which a new certificate of stock of the Corporation of any class may be issued in place of a certificate which is alleged to have been lost, stolen or destroyed; and may, in its discretion, require the owner of such certificate or such owner's legal representative to give bond, with sufficient surety, to the Corporation and each Transfer Agent, if any, to indemnify it and each such Transfer Agent against any and all loss or claims which may arise by reason of the issue of a new certificate in the place of the one so lost, stolen or destroyed.

ARTICLE V

Corporate Seal; Location of Offices; Books; Net Asset Value

Section 5.1. Corporate Seal. The Board of Directors may provide for a suitable corporate seal, in such form and bearing such inscriptions as it may determine. Any officer or director shall have the authority to affix the corporate seal. If the Corporation is required to place its corporate seal to a document,

it shall be sufficient to place the word "(seal)" adjacent to the signature of the authorized officer of the Corporation signing the document.

Section 5.2. Location of Offices. The Corporation shall have a principal office in the State of Maryland. The Corporation may, in addition, establish and maintain such other offices as the Board of Directors or any officer may, from time to time, determine.

Section 5.3. Books and Records. The books and records of the Corporation shall be kept at the places, within or without the State of Maryland, as the directors or any officer may determine; provided, however, that the original or a certified copy of the by-laws, including any amendments to them, shall be kept at the Corporation's principal executive office.

Section 5.4. Annual Statement of Affairs. The President or any other executive officer of the Corporation shall prepare annually a full and correct statement of the affairs of the Corporation, to include a balance sheet and a financial statement of operations for the preceding fiscal year. The statement of affairs should be submitted at the annual meeting of stockholders and, within 20 days of the meeting, placed on file at the Corporation's principal office.

Section 5.5. Net Asset Value. The value of the Corporation's net assets shall be determined at such times and by such method as shall be established from time to time by the Board of Directors.

ARTICLE VI

Fiscal Year and Accountant

Section 6.1. Fiscal Year. The fiscal year of the Corporation, unless otherwise fixed by resolution of the Board of Directors, shall begin on the 1st day of October and shall end on the 30th day of September in each year.

Section 6.2. Accountant. The Corporation shall employ an

independent public accountant or a firm of independent public accountants as its Accountant to examine the accounts of the Corporation and to sign and certify financial statements filed by the Corporation. The employment of the Accountant shall be conditioned upon the right of the Corporation to terminate the employment forthwith without any penalty by vote of a majority of the outstanding voting securities at any stockholders' meeting called for that purpose.

ARTICLE VII

Indemnification and Insurance

Section 7.1. General. The Corporation shall indemnify directors, officers, employees and agents of the Corporation against judgments, fines, settlements and expenses to the fullest extent authorized and in the manner permitted, by applicable federal and state law.

Section 7.2. Indemnification of Directors and Officers. The Corporation shall indemnify to the fullest extent permitted by law (including the Investment Company Act of 1940, as amended) as currently in effect or as the same may hereafter be amended, any person made or threatened to be made a party to any action, suit or

proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that such person or such person's testator or intestate is or was a director or officer of the Corporation or serves or served at the request of the Corporation any other enterprise as a director or officer. To the fullest extent permitted by law (including the Investment Company Act of 1940, as amended) as currently in effect or as the same may hereafter be amended, expenses incurred by any such person in defending any such action, suit or proceeding shall be paid or reimbursed by the Corporation promptly upon receipt by it of an undertaking of such person to repay such expenses if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation. The rights provided to any person by this Article VII shall be enforceable against the Corporation by such person who shall be presumed to have relied upon it in serving or continuing to serve as a director or officer as provided above. No amendment of this Article VII shall impair the rights of any person arising at any time with respect to events occurring prior to such amendment. For purposes of this Article VII, the term "Corporation" shall include any predecessor of the Corporation and any constituent corporation (including any constituent of a constituent) absorbed by the Corporation in a consolidation or merger; the term "other enterprises" shall include any corporation, partnership, joint venture, trust or employee benefit plan; service "at the request of the Corporation" shall include service as a director or officer of the Corporation which imposes duties on, or involves services by, such director or officer with respect to an

employee benefit plan, its participants or beneficiaries; any excise taxes assessed on a person with respect to an employee benefit plan shall be deemed to be indemnifiable expenses; and action by a person with respect to any employee benefit plan which such person reasonably believes to be in the interest of the participants and beneficiaries of such plan shall be deemed to be action not opposed to the best interests of the Corporation.

Section 7.3. Insurance. Subject to the provisions of the Investment Company Act of 1940, as amended, the Corporation, directly, through third parties or through affiliates of the Corporation, may purchase, or provide through a trust fund, letter of credit or surety bond insurance on behalf of any person who is or was a Director, officer, employee or agent of the Corporation, or who, while a Director, officer, employee or agent of the

Corporation, is or was serving at the request of the Corporation as a Director, officer, employee, partner, trustee or agent of another foreign or domestic corporation, partnership joint venture, trust or other enterprise against any liability asserted against and incurred by such person in any such capacity or arising out of such person's position, whether or not the Corporation would have the power to indemnify such person against such liability.

ARTICLE VIII

Custodian

The Corporation shall have as custodian or custodians one or more trust companies or banks of good standing, foreign or domestic, as may be designated by the Board of Directors, subject to the provisions of the Investment Company Act of 1940, as

amended, and other applicable laws and regulations; and the funds and securities held by the Corporation shall be kept in the custody of one or more such custodians, provided such custodian or custodians can be found ready and willing to act, and further provided that the Corporation and/or the Custodians may employ such subcustodians as the Board of Directors may approve and as shall be permitted by law.

ARTICLE IX

Nothing in these By-Laws protects or purports to protect any director or officer against any liability to the Corporation or its security holders to which he or she would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office.

ARTICLE X

Amendment of By-Laws

The By-Laws of the Corporation may be altered, amended, added to or repealed only by majority vote of the entire Board of Directors.

FIDELITY ADVISOR KOREA FUND, INC.

DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN
TERMS AND CONDITIONS

1. The shareholder ("Shareholder") holding shares of common stock of Fidelity Advisor Korea Fund, Inc. (the "Fund") elects, by written instruction to State Street Bank and Trust Company (the "Plan Agent"), to be a participant in the Fund's Dividend Reinvestment and Cash Purchase Plan (the "Plan") and to have all distributions automatically reinvested by the Plan Agent in Fund shares pursuant to the Plan. A Shareholder who does not wish to participate in the Plan will receive all distributions in cash, net of any applicable U.S. withholding tax, and will be paid by check in U.S. dollars mailed directly to such Shareholder by the State Street Bank and Trust Company, as dividend disbursing agent. The Plan Agent will act as agent for individual Shareholders in administering the Plan and will open an account for each Shareholder under the Plan in the same name as her or his shares of common stock are registered.

2. Whenever the directors of the Fund declare an income dividend or capital gains distribution payable either in shares of common stock or in cash, non-participating Shareholders will receive cash, and participating Shareholders will take such dividend or distribution entirely in shares of common stock to be

issued by the Fund or to be purchased on the open market by the Plan Agent, and the Plan Agent shall automatically receive such shares of common stock, including fractions, for the Shareholder's account. Whenever the market price per share of common stock equals or exceeds the net asset value per share at the time the shares of common stock are valued for the purpose of determining the number of shares of common stock equivalent to the dividend or distribution (the "Valuation Date"), the Fund will issue new shares to participants at net asset value, or, if the net asset value is less than 95% of the market price on the Valuation Date, then participants will be issued shares valued at 95% of the market price. If net asset value per share on the Valuation Date exceeds the market price per share on that date, the Plan Agent, as agent for the participants, will buy shares of the Fund's common stock on the open market, on the New York Stock Exchange or elsewhere in the United States, for the participants' accounts. If, before the Plan Agent has completed such purchases, the market price exceeds the net asset value per share, the average

per share purchase price paid by the Plan Agent may exceed the net asset value per share, resulting in the acquisition of fewer shares than if the dividend or distribution had been paid in shares issued by the Fund at net asset value. Additionally, if the market price exceeds the net asset value per share before the Plan Agent has completed its purchases, the Plan Agent is permitted to cease purchasing shares and the Fund may issue the remaining shares at a price equal to the greater of (a) net asset value or (b) 95% of the then current market price. In a case where the Plan Agent has terminated open

market purchases and the Fund has issued the remaining shares, the number of shares received by each participant in respect of the dividend or distribution will be based on the weighted average of prices paid for shares purchased in the open market and the price at which the Fund issues the remaining shares. The Valuation Date shall be the dividend or distribution payment date or, if that date is not a New York Stock Exchange trading day, the next preceding trading day.

3. Whenever the directors of the Fund declare an income dividend or capital gains distribution payable only in cash, the Plan Agent, as agent for the participants, will buy shares of the Fund's common stock on the open market, on the New York Stock Exchange or elsewhere in the United States, with the cash in respect of such dividend or distribution for the participants' accounts, on, or shortly after, the payment date. To the extent the market price exceeds the net asset value of the common stock when the Plan Agent makes such purchases, participants may receive fewer shares of common stock than if the dividend or distribution had been payable in common stock issued by the Fund.

4. Participants in the Plan have the option of making additional cash payments to the Plan Agent, annually, in any amount from $100 to $3,000, for investment in shares of common stock of the Fund. The Plan Agent will use all funds received from participants (as well as any dividends or distributions received in cash) to purchase Fund shares of common stock on the open market, on or about the 15th of February. To avoid unnecessary cash accumulations, and also to allow ample time for receipt and

processing by the Plan Agent, participants should send in voluntary cash payments to be received by the Plan Agent approximately ten days before the 15th of February. Any voluntary cash payments received more than thirty days

prior to that date will be returned by the Plan Agent, and interest will not be paid on any such uninvested cash payment amounts. A participant may withdraw a voluntary cash payment by written notice, if the notice is received by the Plan Agent not less than forty-eight hours before such payment is to be invested.

All voluntary cash payments should be made by check drawn on a U.S. bank, (or a non-U.S. bank, if the U.S. currency is imprinted on the check) payable in U.S. dollars, and should be mailed to the Plan Agent, along with a properly executed cash remittance form (copies of which will be provided by the Plan Agent to participants), at State Street Bank and Trust Company, Two Heritage Drive, Quincy, Massachusetts, 02171. If any check is returned unpaid for any reason, the Plan Agent will be entitled to sell any number of shares from the participant's account required to recoup any funds expended to purchase shares for such participant's account.

5. The Plan Agent will apply all cash received as a dividend or distribution or as a voluntary cash payment to purchase shares of common stock on the open market as soon as practicable after the payment date of the dividend or distribution, but in no event later than 30 days after such payment date, except where necessary to comply with applicable provisions of the federal securities laws. No participant will have any authority to direct

the time or price at which the Plan Agent may purchase shares of the Fund's common stock on such participant's behalf.

6. For all purposes of the Plan: (a) the market price of shares of common stock of the Fund on a particular date shall be the last sales price on the New York Stock Exchange at the close of the previous trading day or, if there is no sale on the New York Stock Exchange on that date, then the mean between the closing bid and asked quotations for such stock on the New York Stock Exchange on such date, (b) each Valuation Date shall be the dividend or distribution payment date or, if that date is not a New York Stock Exchange trading day, the next preceding trading day, and (c) the net asset value per share of common stock on a particular date shall be as determined by or on behalf of the Fund.

7. The open-market purchases provided for above may be made on any securities exchange in the United States where the shares of common stock of the Fund are traded, in the over-the-counter market or in negotiated transactions, and may be on such terms as to price, delivery and otherwise as the Plan Agent shall determine. Funds held by the Plan Agent will not bear interest. In addition, it is understood that the Plan Agent shall have no liability (other than as provided in paragraph 15 hereof) in connection with any inability to purchase shares of common stock within 30 days after the payment date of any dividend or distribution as herein provided or with the timing of any purchases effected. The Plan Agent shall have no responsibility as to the value of the shares of common stock of the Fund acquired for any Shareholder's account.

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8. The Plan Agent will hold shares of common stock acquired pursuant to the Plan in non-certificated form in the name of the Shareholder for whom such shares are being held, and each Shareholder's proxy will include those shares of common stock held pursuant to the Plan. The Plan Agent will forward to each Shareholder participating in the Plan any proxy solicitation material received by it. In the case of Shareholders, such as banks, brokers or nominees, that hold shares for others who are the beneficial owners, the Plan Agent will administer the Plan on the basis of the number of shares certified from time to time by such Shareholders as representing the total amount registered in the names of such Shareholders and held for the account of beneficial owners who participate in the Plan. Upon a Shareholder's written request, the Plan Agent will deliver to her or him, without charge and within ten days, a certificate or certificates representing all full shares of common stock held by the Plan Agent pursuant to the Plan for the benefit of such Shareholder.

9. The Plan Agent will confirm, in writing, each acquisition made for the account of a Shareholder as soon as practicable, but in any event not later than 60 days after the date thereof. Such confirmation will indicate the number of shares purchased and the price per share paid, and will include any applicable tax information pertaining to such Shareholder's account. It is understood that the reinvestment of dividends and distributions does not relieve the participant of any income tax which may be payable on such dividends and distributions. Any Shareholder who is subject to U.S. backup withholding tax, or who

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is a foreign Shareholder subject to U.S. income tax withholding, will have the applicable tax withheld from all dividends and distributions received and only the net amount will be reinvested in shares of the Fund's common stock. Although a Shareholder may from time to time have an undivided fractional interest (computed to three decimal places) in a share of common stock of the Fund, no certificates for fractional shares will be issued. However, distributions and dividends on fractional shares of common stock will be credited to each Shareholder's account. In the event of termination of a Shareholder's account under the Plan, the Plan Agent will adjust for any such undivided fractional interest in cash at the current market value of the shares of common stock at the time of termination.

10. Any stock dividends or split shares distributed by the Fund on shares of common stock held by the Plan Agent for a Shareholder will be credited to the Shareholder's account. In the event that the Fund makes available to Shareholders rights to purchase additional shares of common stock or other securities, the Plan Agent will forward to each Shareholder participating in the Plan any materials received by it relating to such rights.

11. There is no charge to Shareholders for reinvesting dividends or capital gains distributions. The Plan Agent's fees for the handling of the reinvestment of dividends and distributions will be paid by the Fund. However, each Shareholder will be charged a pro rata share of brokerage commissions incurred with respect to the Plan Agent's open market purchases in connection with the reinvestment of dividends or distributions. A Shareholder

will also pay brokerage commissions incurred in connection with purchases from voluntary cash payments made by the Shareholder. Brokerage charges for purchasing small amounts of stock for individual accounts through the Plan are expected to be less than the usual brokerage charges for such transactions because the Plan Agent will be purchasing stock for all participants in large blocks and prorating the lower commission thus attainable.

12. A Shareholder may terminate her or his participation in the Plan by notifying the Plan Agent. Such notifications should be made in writing on a properly executed withdrawal/termination form (copies of which will be provided by the Plan Agent to participants) mailed to the Plan Agent at State Street Bank and Trust Company, Two Heritage Drive, Quincy, Massachusetts, 02171. Such termination will be effective immediately if notice is received by the Plan Agent prior to any dividend or distribution record date; otherwise such termination will be effective, with respect to any subsequent dividend or distribution, on the first trading day after the dividend or distribution paid for such record date shall have been credited to such Shareholder's account. The Plan may be terminated by the Plan Agent or the Fund with respect to any voluntary cash payments made or any dividends or distributions paid subsequent to the notice of termination in writing mailed to the Shareholders at least 30 days prior to the monthly contribution date, in the case of voluntary cash payments, or the record date for the payment of any dividend or distribution by the Fund. Upon any termination, the Plan Agent will cause a certificate or certificates for the full shares held for a

Shareholder under the Plan, and cash adjustment for any fractional shares to be delivered to her or him or, upon the request of such Shareholder, will sell all of the shares held for the Shareholder under the Plan, within ten days of receiving the Shareholder's instructions, and will deliver the proceeds less any brokerage commissions to the Shareholder.

13. If any Shareholder has withdrawn shares from the Plan, or acquires shares which have been withdrawn from the Plan, and wishes to have such shares held through and subject to the Plan, such Shareholder may resubmit such shares by notifying the Plan Agent at State Street Bank and Trust Company, Two Heritage Drive, Quincy, Massachusetts, 02171.

14. These terms and conditions may be amended or supplemented by the Plan Agent or the Fund at any time or times but, except when necessary or appropriate to comply with applicable law or the rules or policies of the Securities and Exchange Commission or any other regulatory authority, only by mailing to the Shareholders appropriate written notice at least 30 days prior to the effective date thereof. The amendment or supplement shall be deemed to be accepted by the Shareholders unless, prior to the effective date thereof, the Plan Agent receives written notice of the termination of a Shareholder's account under the Plan. Any such amendment may include an appointment by the Plan Agent in its place and stead of a successor Plan Agent under these terms and conditions, with full power and authority to perform all or any of the acts to be performed by the Plan Agent under these terms and conditions. Upon any such appointment of a successor Plan Agent

for the purpose of receiving dividends and distributions, the Fund will be authorized to pay to such successor Plan Agent, for the Shareholders' accounts, all dividends and distributions payable on the shares of common stock held in the Shareholders' name or under the Plan for retention or application by such successor Plan Agent as provided in these terms and conditions.

15. The Plan Agent shall at all times act in good faith and agree to use its best efforts within reasonable limits to ensure the accuracy of all services performed under this Plan and to comply with applicable law, but assumes no responsibility and shall not be liable for loss or damage due to errors unless such error is caused by its negligence, bad faith or willful misconduct or that of its employees.

INVESTMENT MANAGEMENT AGREEMENT
between
FIDELITY ADVISOR KOREA FUND, INC.
and
FIDELITY MANAGEMENT & RESEARCH COMPANY

AGREEMENT made this ___th day of _____ 1994, by and between Fidelity Advisor Korea Fund, Inc. a Maryland corporation (hereinafter called the "Fund"), and Fidelity Management & Research Company, a Massachusetts corporation (hereinafter called the "Manager ").

1. (a) Investment Advisory Services. The Manager undertakes to act as investment manager of the Fund and shall, subject to the supervision of the Fund's Board of Directors, direct the investments of the Fund in accordance with the investment objective, policies and limitations as provided in the Fund's Prospectus or other governing instruments, as amended from time to time, the Investment Company Act of 1940 and rules thereunder, as amended from time to time (the "1940 Act"), and such other limitations as the Fund may impose by notice in writing to the Manager. To the extent that an investment adviser is appointed by the Manager and by the Board of Directors of the Fund (the "Investment Adviser"), the Manager may delegate any of its management services and responsibilities hereunder at its sole expense, and the Manager shall supervise the performance by the Investment Adviser of such services and responsibilities and further shall provide the Investment Adviser with such investment advice and research as they shall mutually agree upon. The Manager shall also furnish for the use of the Fund office space and all necessary office facilities, equipment and personnel for servicing the investments of the Fund; and shall pay the salaries and fees of all officers of the Fund, of all Directors of the Fund who are "interested persons" of the Fund or of the Manager and of all personnel of the Fund or the Manager performing services relating to research, statistical and investment activities. The Manager is authorized, in its discretion and without prior consultation with the Fund, to buy, sell, lend and otherwise trade in any stocks, bonds and other securities and investment instruments on behalf of the Fund. The investment policies and all other actions of the Fund are and shall at all times be subject to the control and direction of the Fund's Board of Directors.

(b) Management Services. The Manager shall perform (or arrange for the performance by its affiliates of) the management services necessary for the operation of the Fund. The Manager shall, subject to the supervision of the Board of Directors, perform various services for the Fund, including but not limited to: (1) providing investment research and recommendations; (2) providing investment and tax compliance services; (3) supervising any Investment Adviser appointed under paragraph 1(a); (4) providing internal legal services; (5) providing the Fund with office space, equipment and facilities (which may be its own) for maintaining its organization; (6) on behalf of the

Fund, supervising relations with, and monitoring the performance of, custodians, depositories, transfer and pricing agents, accountants, attorneys, underwriters, brokers and dealers, insurers and other persons in any capacity deemed to be necessary or desirable; (7) preparing all general shareholder communications, including shareholder reports; (8) conducting shareholder relations; (9) maintaining the Fund's existence and its records; (10) during such times as shares are publicly offered, maintaining the registration and qualification of the Fund's shares under federal and state law; and (11) investigating the development of and developing and implementing, if appropriate, management and shareholder services designed to enhance the value or convenience of the Fund as an investment vehicle.

The Manager shall also furnish such reports, evaluations, information or analyses to the Fund as the Fund's Board of Directors may request from time to time or as the Manager may deem to be

desirable. The Manager shall make recommendations to the Fund's Board of Directors with respect to Fund policies, and shall carry out such policies as are adopted by the Directors. The Manager shall, subject to review by the Board of Directors, furnish such other services as the Manager shall from time to time determine to be necessary or useful to perform its obligations under this Contract.

(c) Unless an Investment Adviser has been appointed pursuant to paragraph 1(a), the Manager shall place all orders for the purchase and sale of portfolio securities for the Fund's account with brokers or dealers selected by the Manager, which may include brokers or dealers affiliated with the Manager. The Manager shall use its best efforts to seek to execute portfolio transactions at prices which are advantageous to the Fund and at commission rates which are reasonable in relation to the benefits received. In selecting brokers or dealers qualified to execute a particular transaction, brokers or dealers may be selected who also provide brokerage and research services (as those terms are defined in Section 28(e) of the Securities Exchange Act of 1934) to the Fund and/or the other accounts over which the Manager or its affiliates exercise investment discretion. The Manager is authorized to pay a broker or dealer who provides such brokerage and research services a commission for executing a portfolio transaction for the Fund which is in excess of the amount of commission another broker or dealer would have charged for effecting that transaction if the Manager determines in good faith that such amount of commission is reasonable in relation to the value of the brokerage and research services provided by such broker or dealer. This determination may be viewed in terms of either that particular transaction or the overall responsibilities which the Manager and its affiliates have with respect to accounts over which they exercise investment discretion. The Directors of the Fund shall periodically review the commissions paid by the Fund to determine if the commissions paid over representative periods of time were reasonable in relation to the benefits to the Fund.

The Manager shall, in acting hereunder, be an independent contractor. The Manager shall not be an agent of the Fund.

2. It is understood that the Directors, officers and shareholders of the Fund are or may be or become interested in the Manager as directors, officers or otherwise and that directors, officers and stockholders of the Manager are or may be or become similarly interested in the Fund, and that the Manager may be or become interested in the Fund as a shareholder or otherwise.

3. The Manager will be compensated on the following basis for the services and facilities to be furnished hereunder. The Manager shall receive a monthly management fee, payable monthly as soon as practicable after the last day of each month. The Fee will be computed as follows:

(a) Fee Rate: The Annual Fee Rate shall be 1.00%.

(b) Fee. One-twelfth of the Fee Rate shall be applied to the average of the net assets of the Fund (computed in the manner set forth in the Fund's Articles of Incorporation, other organizational document or prospectus) determined as of the close of business on each business day throughout the month. The resulting dollar amount comprises the Fee.

(c) In the case of termination of this Contract during any month, the fee for that month shall be reduced proportionately on the basis of the number of weeks during which it is in effect for that month. The Fee Rate will be computed on the basis of and applied to net assets averaged over that month ending on the last business day on which this Contract is in effect.

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4. It is understood that the Fund will pay all its expenses other than those expressly stated to be payable by the Manager hereunder, which expenses payable by the Fund shall include, without limitation, (i) interest and taxes; (ii) brokerage commissions and other costs in connection with the purchase or sale of securities and other investment instruments; (iii) fees and expenses of the Fund's Directors other than those who are "interested persons" of the Fund or the Manager; (iv) legal and audit expenses; (v) custodian, registrar and transfer agent fees and expenses; (vi) fees and expenses related to the registration and qualification of the Fund and the Fund's shares for distribution under state and federal securities laws; (vii) expenses of printing and mailing reports and notices and proxy material to shareholders of the Fund; (viii) all other expenses incidental to holding meetings of the Fund's shareholders, including proxy solicitations therefor; (ix) 50% of insurance premiums for fidelity and other coverage; (x) its proportionate share of association membership dues; (xi) expenses of typesetting for printing Prospectuses and supplements thereto; (xii) expenses of printing and mailing Prospectuses and supplements; and (xiii) such non-recurring or extraordinary expenses as may arise, including those relating to actions, suits or proceedings to which the Fund is a party and the legal obligation which the

Fund may have to indemnify the Fund's Directors and officers with respect thereto.

5. The services of the Manager to the Fund are not to be deemed exclusive, the Manager being free to render services to others and engage in other activities, provided, however, that such other services and activities do not, during the term of this Contract, interfere, in a material manner, with the Manager's ability to meet all of its obligations with respect to rendering services to the Fund hereunder. In the absence of willful misfeasance, bad faith, gross negligence or reckless disregard of obligations or duties hereunder on the part of the Manager, the Manager shall not be subject to liability to the Fund or to any shareholder of the Fund for any act or omission in the course of, or connected with, rendering services hereunder or for any losses that may be sustained in the purchase, holding or sale of any security or other investment instrument.

6. (a) Subject to prior termination as provided in sub-paragraph (d) of this paragraph 6, this Contract shall continue in force until _____, 1996, and indefinitely thereafter, but only so long as the continuance after such date shall be specifically approved at least annually by vote of the Directors of the Fund or by vote of a majority of the outstanding voting securities of the Fund.

(b) This Contract may be modified by mutual consent, such consent on the part of the Fund to be authorized by vote of a majority of the outstanding voting securities of the Fund.

(c) In addition to the requirements of sub-paragraphs (a) and (b) of this paragraph 6, the terms of any continuance or modification of this Contract must have been approved by the vote of a majority of those Directors of the Fund who are not parties to the Contract or interested persons of any such party, cast in person at a meeting called for the purpose of voting on such approval.

(d) Either party hereto may, at any time on sixty (60) days' prior written notice to the other, terminate this Contract, without payment of any penalty, by action of its Board of Directors or with respect to the Fund by vote of a majority of the outstanding voting securities of the Fund. This Contract shall terminate automatically in the event of its assignment.

7. This Agreement shall be governed by, and construed in accordance with, the laws of the Commonwealth of Massachusetts, without giving effect to the choice of laws provisions thereof.

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The terms "vote of a majority of the outstanding voting securities," "assignment", "investment adviser" and "interested persons," when used herein,

shall have the respective meanings specified in the 1940 Act, as now in effect or as hereafter amended, and subject to such orders as may be granted by the Securities and Exchange Commission.

8. The Manager consents and grants to the Fund a non-exclusive license for the use by the Fund of the word "Fidelity" in the name of the Fund. Such consent is subject to revocation by the Manager in its discretion, and the Manager may require the Fund to cease using the word "Fidelity" in its name, if the Manager or an affiliate is not employed as an investment adviser to the Fund. The Fund acknowledges that as between it and the Manager, the Manager controls the use of the name of the Fund insofar as it contains the identifying word "Fidelity" and the Manager and its affiliates may use the identifying word "Fidelity" in any other connection and for any purpose, without limitation.

IN WITNESS WHEREOF the parties have caused this instrument to be signed in their behalf by their respective officers thereunto duly authorized, and their respective seals to be hereunto affixed, all as of the date written above.

FIDELITY ADVISOR KOREA FUND, INC.

By _____
Treasurer

FIDELITY MANAGEMENT & RESEARCH COMPANY

By _____
Vice President

INVESTMENT ADVISORY AGREEMENT
among
FIDELITY INTERNATIONAL INVESTMENT ADVISORS
and
FIDELITY MANAGEMENT & RESEARCH COMPANY
and
FIDELITY ADVISOR KOREA FUND, INC.

AGREEMENT made this ___th day of _____, 1994 by and among Fidelity Management & Research Company, a Massachusetts corporation with principal offices at 82 Devonshire Street, Boston, Massachusetts (hereinafter called the "Manager"); Fidelity International Investment Advisors, a Bermuda company with principal offices at Pembroke Hall, Pembroke, Bermuda (hereinafter called the "Adviser"); and Fidelity Advisor Korea Fund, Inc., a Maryland corporation which may issue one or more series of shares (hereinafter called the "Fund").

WHEREAS the Fund and the Manager have entered into an Investment Management Agreement on behalf of the Fund, pursuant to which the Manager is to act as investment manager of the Fund; and

WHEREAS the Advisor and its subsidiaries and other affiliated persons have personnel in various locations throughout the world and have been formed in part for the purpose of researching and compiling information and recommendations with respect to the economies of various countries, and securities of issuers located in such countries, and providing investment advisory services in connection therewith;

NOW, THEREFORE, in consideration of the premises and the mutual promises hereinafter set forth, the Fund, the Manager and the Advisor agree as follows:

1. Duties: The Manager hereby appoints the Advisor to perform the following services with respect to all of the investments of the Fund. The Advisor shall pay the salaries and fees of all personnel of the Advisor performing services for the Fund relating to research, statistical and investment activities.

(a) Investment Discretion: The Advisor shall, subject to the supervision of the Manager, manage the investments of the Fund in accordance with the investment objective, policies and limitations provided in the Fund's Prospectus or other governing instruments, as amended from time to time, the Investment Company Act of 1940 (the "1940 Act") and rules thereunder, as amended from time to time, and such other limitations as the Directors or the Manager may impose with respect to the Fund by notice to the Advisor. The Advisor is authorized to make investment decisions on behalf of the Fund with regard to any stock, bond, other security or investment instrument, and to place orders for

the purchase and sale of such securities or other instruments through such broker-dealers as the Advisor may select. The Advisor is also authorized to provide additional investment management services to the Fund, including but not limited to services such as managing foreign currency investments, purchasing and selling or writing futures and options contracts, borrowing money, or lending securities on behalf of the Fund. All investment management and any other activities of the Advisor shall at all times be subject to the control and direction of the Manager and the Fund's Board of Directors.

(b) Subsidiaries and Affiliates: The Advisor may perform any or all of the services contemplated by this Agreement directly or through such of its subsidiaries or other affiliated persons as the Advisor shall determine; provided, however, that performance of such services through such subsidiaries or other affiliated persons shall have been approved by the Fund to the extent required pursuant to the 1940 Act and rules thereunder.

2. Information to be Provided to the Fund and the Manager: The Advisor shall furnish such reports, evaluations, information or analyses to the Fund and the Manager as the Fund's Board of Directors or the Manager may reasonably request from time to time, or as the Advisor may deem to be desirable.

3. Brokerage: In connection with the services provided under paragraph 1(a) of this Agreement, the Advisor shall place all orders for the purchase and sale of Fund securities for the Fund's account with brokers or dealers selected by the Advisor, which may include brokers or dealers affiliated with the Manager or Advisor. The Advisor shall use its best efforts to seek to execute Fund transactions at prices which are advantageous to the Fund and at commission rates which are reasonable in relation to the benefits received. In selecting brokers or dealers qualified to execute a particular transaction, brokers or dealers may be selected who also provide brokerage and research services (as those terms are defined in Section 28(e) of the Securities Exchange Act of 1934) to the Fund and/or to the other accounts over which the Advisor or Manager exercise investment discretion. The Advisor is authorized to pay a broker or dealer who provides such brokerage and research services a commission for executing a Fund transaction for the Fund which is in excess of the amount of commission another broker or dealer would have charged for effecting that transaction if the Advisor determines in good faith that such amount of commission is reasonable in relation to the value of the brokerage and research services provided by such broker or dealer. This determination may be viewed in terms of either that particular transaction or the overall responsibilities which the Advisor has with respect to accounts over which it exercises investment discretion. The Directors of the Fund shall periodically review the commissions paid by the Fund to determine if the commissions paid over representative periods of time were reasonable in relation to the benefits to the Fund.

4. Compensation: The Manager shall compensate the Advisor on the following basis for the services to be furnished hereunder. For services provided under this Agreement, the Manager agrees to pay the Advisor a monthly Investment Advisory Fee. The Investment Advisory Fee shall be equal to 60% of the monthly management fee rate (including performance adjustments, if any) that the Fund is obligated to pay the Manager under its Investment Management Agreement with the Manager. If in any fiscal year the aggregate expenses of the Fund exceed any applicable expense limitation imposed by any state or federal securities laws or regulations, and the Manager waives all or a portion of its management fee or reimburses the Fund for expenses to the extent required to satisfy such limitation, the Investment Advisory Fee paid to the Advisor will be reduced by 60% of the amount of such waivers or reimbursements multiplied by the fraction equal to the net assets of the Fund as to which the Advisor shall have provided the investment management services divided by the net assets of the Fund for that month. If the Advisor reduces its fees to reflect such waivers or reimbursements and the Manager subsequently recovers all or any portion of such waivers and reimbursements, then the Advisor shall be entitled to receive from the Manager a proportionate share of the amount recovered. To the extent that waivers and reimbursements by the Manager required by such limitations are in excess of the Manager's management fee, the Investment Advisory Fee paid to the Advisor will be reduced to zero for that month, but in no event shall the Advisor be required to reimburse the Manager for all or a portion of such excess reimbursements.

5. Expenses: It is understood that the Fund will pay all of its expenses other than those expressly stated to be payable by the Advisor hereunder or by the Manager under the Investment Management Agreement with the Fund, which expenses payable by the Fund shall include, without limitation, (i) interest and taxes; (ii) brokerage commissions and other costs in connection with the purchase or sale of securities and other investment instruments; (iii) fees and expenses of the Fund's Directors other than those who are "interested persons" of the Fund, the Manager or the Advisor; (iv) legal and audit expenses; (v) custodian, registrar and transfer agent fees and expenses; (vi) fees and expenses related to the registration and qualification of the Fund and the Fund's shares for distribution under state and federal securities laws; (vii) expenses of printing and mailing reports and notices and proxy material to shareholders of the Fund; (viii) all other expenses incidental to holding meetings of the Fund's shareholders, including proxy solicitations therefor; (ix) 50% of insurance premiums for fidelity and other coverage; (x) its association membership dues; (xi) expenses of typesetting for printing Prospectuses and supplements thereto; (xii) expenses of printing and mailing Prospectuses and supplements thereto; and (xiii) such non-recurring or extraordinary expenses as may arise, including those relating to actions, suits

or proceedings to which the Fund is a party and the legal obligation which the Fund may have to indemnify the Fund's Directors and officers with respect thereto.

6. Interested Persons: It is understood that Directors, officers, and shareholders of the Fund are or may be or become interested in the Manager or the Advisor as directors, officers or otherwise and that directors, officers and stockholders of the Manager or the Advisor are or may be or become similarly interested in the Fund, and that the Manager or the Advisor may be or become interested in the Fund as a shareholder or otherwise.

7. Services to Other Companies or Accounts: The services of the Advisor to the Manager are not to be deemed to be exclusive, the Advisor being free to render services to others and engage in other activities, provided, however, that such other services and activities do not, during the term of this Agreement, interfere, in a material manner, with the Advisor's ability to meet all of its obligations hereunder. The Advisor shall for all purposes be an independent contractor and not an agent or employee of the Manager or the Fund.

8. Standard of Care: In the absence of willful misfeasance, bad faith, gross negligence or reckless disregard of obligations or duties hereunder on the part of the Advisor, the Advisor shall not be subject to liability to the Manager, the Fund or to any shareholder of the Fund for any act or omission in the course of, or connected with, rendering services hereunder or for any losses that may be sustained in the purchase, holding or sale of any security or other investment instrument.

9. Duration and Termination of Agreement; Amendments:

(a) Subject to prior termination as provided in subparagraph (d) of this paragraph 9, this Agreement shall continue in force until _____, 1996 and indefinitely thereafter, but only so long as the continuance after such period shall be specifically approved at least annually by vote of the Fund's Board of Directors or by vote of a majority of the outstanding voting securities of the Fund.

(b) This Agreement may be modified by mutual consent of the Manager, the Advisor and the Fund, such consent on the part of the Fund to be authorized by vote of a majority of the outstanding voting securities of the Fund.

(c) In addition to the requirements of subparagraphs (a) and (b) of this paragraph 9, the terms of any continuance or modification of this Agreement must have been approved by the vote of a majority of those Directors of the Fund who are not parties to this Agreement or interested persons of any such party, cast in person at a meeting called for the purpose of voting on such approval.

(d) Either the Manager, the Advisor or the Fund may, at any time on sixty (60) days' prior written notice to the other parties, terminate this Agreement, without payment of any penalty, by action of its Board of Directors, or with respect to the Fund by vote of a majority of its outstanding voting securities. This Agreement shall terminate automatically in the event of its assignment.

10. Governing Law: This Agreement shall be governed by, and construed in accordance with, the laws of the Commonwealth of Massachusetts, without giving effect to the choice of laws provisions thereof.

The terms "registered investment company," "vote of a majority of the outstanding voting securities," "assignment," and "interested persons," when used herein, shall have the respective meanings specified in the 1940 Act as now in effect or as hereafter amended.

IN WITNESS WHEREOF the parties hereto have caused this instrument to be signed in their behalf by their respective officers thereunto duly authorized, and their respective seals to be hereunto affixed, all as of the date written above.

FIDELITY INTERNATIONAL INVESTMENT ADVISORS

BY:_____
Title

FIDELITY MANAGEMENT & RESEARCH COMPANY

BY: _____
Title

FIDELITY ADVISOR KOREA FUND, INC.

BY: _____
Title

SUB-INVESTMENT ADVISORY AGREEMENT
among
FIDELITY INTERNATIONAL INVESTMENT ADVISORS
and
FIDELITY INVESTMENTS JAPAN LIMITED
and
FIDELITY ADVISOR KOREA FUND, INC.

AGREEMENT made this ___th day of _____, 1994 by and among Fidelity International Investment Advisors, a Bermuda company with principal offices at Pembroke Hall, Pembroke, Bermuda (hereinafter called "Adviser"), Fidelity Investments Japan Limited, a corporation organized under the laws of Japan with principal offices at 19th Floor, Shiroyama JT Mori Building, 4-3-1 Toranomon Minato-Ku, Tokyo 105, Japan, (hereinafter called the "Sub-Advisor") and Fidelity Advisor Korea Fund, Inc., a Maryland corporation (the "Fund").

WHEREAS the Fund and the Advisor have entered into an Investment Advisory Agreement pursuant to which the Advisor is to act as the investment adviser of the Fund; and

WHEREAS the Sub-Advisor has personnel in Japan and has been formed in part for the purpose of researching and compiling information and recommendations with respect to the economies of various countries, including Japan, and securities of issuers located in such countries, and providing investment advisory services in connection therewith;

NOW, THEREFORE, in consideration of the premises and the mutual promises hereinafter set forth, the Fund, the Advisor and the Sub-Advisor agree as follows:

1. Duties: The Advisor may, in its discretion, appoint the Sub-Advisor to perform one or more of the following services with respect to all or a portion of the investments of the Fund. The services and the portion of the investments of the Fund to be advised or managed by the Sub-Advisor shall be as agreed upon from time to time by the Advisor and the Sub-Advisor; provided, however, that until further notice from the Advisor to the Sub-Advisor, the Advisor hereby appoints the Sub-Advisor, and the Sub-Advisor hereby accepts appointment, to manage all the investments of the Fund in accordance with subparagraph 1(b) of this Agreement. The Sub-Advisor shall pay the salaries and fees of all personnel of the Sub-Advisor performing services for the Fund relating to research, statistical and investment activities.

(a) Investment Advice: If and to the extent requested by the Advisor, the

Sub-Advisor shall provide investment advice to the Fund and the Advisor with respect to all or a portion of the investments of the Fund, and in connection with such advice shall furnish the Fund and the Advisor such factual information, research reports and investment recommendations as the Advisor may reasonably require. Such information may include written and oral reports and analyses.

(b) Investment Management: If and to the extent requested by the Advisor, the Sub-Advisor shall, subject to the supervision of the Advisor, manage all or a portion of the investments of the Fund in accordance with the investment objective, policies and limitations provided in the Fund's Prospectus or other governing instruments, as amended from time to time, the Investment Company Act of 1940 (the "1940 Act") and rules thereunder, as amended from time

to time, and such other limitations as the Fund or Advisor may impose by notice to the Sub-Advisor. With respect to the portion of the investments of the Fund under its management, the Sub-Advisor is authorized to make investment decisions on behalf of the Fund with regard to any stock, bond, other security or investment instrument, and to place orders for the purchase and sale of such securities or investment instrument through such broker-dealers as the Sub-Advisor may select. The Sub-Advisor is also authorized to provide additional investment management services to the Fund, including but not limited to services such as managing foreign currency investments, purchasing and selling or writing futures and options contracts, borrowing money, or lending securities on behalf of the Fund. All investment management and any other activities of the Sub-Advisor shall at all times be subject to the control and direction of the Advisor and the Fund's Board of Directors.

(c) Subsidiaries and Affiliates: The Sub-Advisor may perform any or all of the services contemplated by this Agreement directly or through such of its subsidiaries or other affiliated persons as the Sub-Advisor shall determine; provided, however, that performance of such services through such subsidiaries or other affiliated persons shall have been approved by the Fund to the extent required pursuant to the 1940 Act and rules thereunder.

2. Information to be Provided to the Fund and the Advisor: The Sub-Advisor shall furnish such reports, evaluations, information or analyses to the Fund and the Advisor as the Fund's Board of Directors or the Advisor may reasonably request from time to time, or as the Sub-Advisor may deem to be desirable.

3. Brokerage: In connection with the services provided under subparagraph (b) of paragraph 1 of this Agreement, the Sub-Advisor shall place all orders for the purchase and sale of portfolio securities for the

Fund's account with brokers or dealers selected by the Sub-Advisor, which may include brokers or dealers affiliated with the Advisor or Sub-Advisor. The Sub-Advisor shall use its best efforts to seek to execute portfolio transactions at prices which are advantageous to the Fund and at commission rates which are reasonable in relation to the benefits received. In selecting brokers or dealers qualified to execute a particular transaction, brokers or dealers may be selected who also provide brokerage and research services (as those terms are defined in Section 28(e) of the Securities Exchange Act of 1934) to the Fund and/or to the other accounts over which the Sub-Advisor or Advisor exercise investment discretion. The Sub-Advisor is authorized to pay a broker or dealer who provides such brokerage and research services a commission for executing a portfolio transaction for the Fund which is in excess of the amount of commission another broker or dealer would have charged for effecting that transaction if the Sub-Advisor determines in good faith that such amount of commission is reasonable in relation to the value of the brokerage and research services provided by such broker or dealer. This determination may be viewed in terms of either that particular transaction or the overall responsibilities which the Sub-Advisor has with respect to accounts over which it exercises investment discretion. The Directors of the Fund shall periodically review the commissions paid by the Fund to determine if the commissions paid over representative periods of time were reasonable in relation to the benefits to the Fund.

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4. Compensation: The Advisor shall compensate the Sub-Advisor on the following basis for the services to be furnished hereunder.

(a) Investment Advisory Fee: For services provided under subparagraph (a) of paragraph 1 of this Agreement, the Advisor agrees to pay the Sub-Advisor a monthly Sub-Advisory Fee. The Sub-Advisory Fee shall be equal to: (i) 30% of the monthly management fee rate (including performance adjustments, if any) that the Advisor receives under its Investment Advisory Agreement, multiplied by (ii) the fraction equal to the net assets of the Fund as to which the Sub-Advisor shall have provided investment advice divided by the net assets of the Fund for that month.

(b) Investment Management Fee: For services provided under subparagraph (b) of paragraph 1 of this Agreement, the Advisor agrees to pay the Sub-Advisor a monthly Investment Management Fee. The Investment Management Fee shall be equal to: (i) 50% of the monthly management fee rate (including performance adjustments, if any) that the Advisor receives under its Investment Advisory Agreement with the Advisor, multiplied by: (ii) the fraction equal to the net assets of the Fund as to which the Sub-Advisor shall have provided investment management services divided by the net assets of the Fund for that month. If in any fiscal year the aggregate expenses of the Fund exceed any applicable expense limitation imposed by any state or federal securities laws or regulations, and the Advisor waives all or a portion of its management

fee or reimburses the Fund for expenses to the extent required to satisfy such limitation, the Investment Management Fee paid to the Sub-Advisor will be reduced by 50% of the amount of such waivers or reimbursements multiplied by the fraction determined in (ii). If the Sub-Advisor reduces its fees to reflect such waivers or reimbursements and the Advisor subsequently recovers all or any portion of such waivers and reimbursements, then the Sub-Advisor shall be entitled to receive from the Advisor a proportionate share of the amount recovered. To the extent that waivers and reimbursements by the Advisor required by such limitations are in excess of the Advisor's management fee, the Investment Management Fee paid to the Sub-Advisor will be reduced to zero for that month, but in no event shall the Sub-Advisor be required to reimburse the Advisor for all or a portion of such excess reimbursements.

(c) Provision of Multiple Services: If the Sub-Advisor shall have provided both investment advisory services under subparagraph (a) and investment management services under subparagraph (b) of paragraph 1 for the same portion of the investments of the Fund for the same period, the fees paid to the Sub-Advisor with respect to such investments shall be calculated exclusively under subparagraph (b) of this paragraph 4.

5. Expenses: It is understood that the Fund will pay all of its expenses other than those expressly stated to be payable by the Sub-Advisor hereunder or by the Advisor under the Investment Advisory Agreement, or by the Fund's Investment Manager under the Investment Management Agreement with the Fund, which expenses payable by the Fund shall include, without limitation, (i) interest and taxes; (ii) brokerage commissions and other costs in connection with the purchase or sale of securities and other investment instruments; (iii) fees and expenses of the Fund's Directors other than those who are "interested persons" of the Fund, the Sub-Advisor or the Advisor; (iv) legal and audit expenses; (v) custodian, registrar and transfer agent fees and expenses; (vi) fees and expenses related to the registration and qualification of the Fund's shares for distribution under state and federal securities laws; (vii) expenses of printing and mailing reports and notices and proxy material to shareholders of the Fund; (viii) all other expenses incidental to holding meetings of the Fund's

shareholders, including proxy solicitations therefor; (ix) 50% of insurance premiums for fidelity and other coverage; (x) its proportionate share of association membership dues; (xi) expenses of typesetting for printing Prospectuses and supplements thereto; (xii) expenses of printing and mailing Prospectuses and supplements thereto; and (xiii) such non-recurring or extraordinary expenses as may arise, including those relating to actions, suits or proceedings to which the Fund is a party and the legal obligation which the Fund may have to indemnify its Directors and officers with respect thereto.

6. Interested Persons: It is understood that Directors, officers, and shareholders of the Fund are or may be or become interested in the Advisor or the Sub-Advisor as directors, officers or otherwise and that directors, officers and stockholders of the Advisor or the Sub-Advisor are or may be or become similarly interested in the Fund, and that the Advisor or the Sub-Advisor may be or become interested in the Fund as a shareholder or otherwise.

7. Services to Other Companies or Accounts: The services of the Sub-Advisor to the Advisor are not to be deemed to be exclusive, the Sub-Advisor being free to render services to others and engage in other activities, provided, however, that such other services and activities do not, during the term of this Agreement, interfere, in a material manner, with the Sub-Advisor's ability to meet all of its obligations hereunder. The Sub-Advisor shall for all purposes be an independent contractor and not an agent or employee of the Advisor or the Fund.

8. Standard of Care: In the absence of willful misfeasance, bad faith, gross negligence or reckless disregard of obligations or duties hereunder on the part of the Sub-Advisor, the Sub-Advisor shall not be subject to liability to the Advisor, the Fund or to any shareholder for any act or omission in the course of, or connected with, rendering services hereunder or for any losses that may be sustained in the purchase, holding or sale of any security or other investment instrument.

9. Duration and Termination of Agreement; Amendments:

(a) Subject to prior termination as provided in subparagraph (d) of this paragraph 9, this Agreement shall continue in force until _____, 1996 and indefinitely thereafter, but only so long as the continuance after such period shall be specifically approved at least annually by vote of the Fund's Board of Directors or by vote of a majority of the outstanding voting securities of the Fund.

(b) This Agreement may be modified by mutual consent of the Advisor, the Sub-Advisor and the Fund, such consent on the part of the Fund to be authorized by vote of a majority of the outstanding voting securities of the Fund.

(c) In addition to the requirements of subparagraphs (a) and (b) of this paragraph 9, the terms of any continuance or modification of this Agreement must have been approved by the vote of a majority of those Directors of the Fund who are not parties to this Agreement or interested persons of any such party, cast in person at a meeting called for the purpose of voting on such approval.

(d) Either the Advisor, the Sub-Advisor or the Fund may, at any time on sixty (60) days' prior written notice to the other parties, terminate this Agreement, without payment of any penalty, by action of its Board of Directors, or with respect to the Fund by vote of a majority of its outstanding voting securities. This Agreement shall terminate automatically in the event of its assignment.

10. Governing Law: This Agreement shall be governed by, and construed in accordance with, the laws of the Commonwealth of Massachusetts, without giving effect to the choice of laws provisions thereof.

The terms "registered investment company," "vote of a majority of the outstanding voting securities," "assignment," "investment advisor," and "interested persons," when used herein, shall have the respective meanings specified in the 1940 Act as now in effect or as hereafter amended.

IN WITNESS WHEREOF the parties hereto have caused this instrument to be signed in their behalf by their respective officers thereunto duly authorized, and their respective seals to be hereunto affixed, all as of the date written above.

FIDELITY INTERNATIONAL INVESTMENT ADVISORS

BY:_____
Title

FIDELITY INVESTMENTS JAPAN LIMITED

BY:_____
Title

FIDELITY ADVISOR KOREA FUND, INC.

BY: _____
Title

DRAFT 10/21/94

_____ Shares

FIDELITY ADVISOR
KOREA FUND, INC.

Common Stock

U.S. UNDERWRITING AGREEMENT

October __, 1994

BARING SECURITIES INC.
DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION
DILLON, READ & CO. INC.
COWEN & COMPANY
LEGG MASON WOOD WALKER, INCORPORATED
RAUSCHER PIERCE REFSNES, INC.
RAYMOND JAMES & ASSOCIATES, INC.
As representatives of
the several underwriters
named in Schedule I hereto
c/o Baring Securities Inc.
667 Madison Avenue
New York, New York 10021

Dear Sirs:

Fidelity Advisor Korea Fund, Inc., a Maryland corporation (the "Fund"), Fidelity Management & Research Company, a Massachusetts corporation (the "Investment Manager"), Fidelity International Investment Advisors, a Bermuda corporation (the "Investment Adviser") and Fidelity Investments Japan Limited, a Japanese corporation (the "Sub-Adviser"), each confirms that the Fund proposes to issue and sell to the several underwriters named in Schedule I hereto (the "U.S. Underwriters") an aggregate of _____ shares of its Common Stock, par value $0.001 per share ("Common Stock"). The _____ shares of Common Stock to be issued and sold by the Fund are hereinafter called the U.S. Firm Shares.

The Fund also proposes to issue and sell to the several U.S. Underwriters not more than an additional _____ shares of its Common Stock (the "Additional U.S. Shares"), if requested by the U.S. Underwriters as provided in Section 2 hereof.

It is understood that the Fund, the Investment Manager, the Investment Adviser and the Sub-Adviser are concurrently entering into an agreement dated the date hereof (the "International Underwriting Agreement") providing for the offering by the Fund of _____ shares of Common Stock (the

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"International Firm Shares") to non-U.S. and non-Canadian investors outside the United States and Canada through arrangements with certain underwriters outside the United States (the "International Managers") for which Baring Brothers & Co., Limited, Donaldson, Lufkin & Jenrette Securities Corporation, Lucky Securities International Ltd., SsangYong Securities Europe Limited, Cowen & Company and KDB Securities Co., Ltd. are acting as

representatives (the "International Representatives").

The U.S. Firm Shares and the International Firm Shares are hereinafter called the "Firm Shares". It is understood that the Fund is not obligated to sell, and the U.S. Underwriters are not obligated to purchase, any U.S. Firm Shares unless all of the International Firm Shares are contemporaneously purchased by the International Managers. The U.S. Underwriters and the International Managers are hereinafter collectively called the "Underwriters". The U.S. Firm Shares and the Additional U.S. Shares are hereinafter collectively called the "U.S. Shares", and the U.S. Shares and the International Shares are hereinafter collectively called the "Shares".

The Fund understands that the U.S. Underwriters and the International Managers will concurrently enter into an Agreement Between U.S. Underwriters and International Managers of even dated herewith (the "Agreement Between") providing for the coordination of certain transactions among the U.S. Underwriters and the International Managers under your direction. Baring Securities Inc. and Donaldson, Lufkin & Jenrette Securities Corporation are the Global Coordinators of the Offerings.

1. Registration Statement, Prospectus and Offering Circular. The Fund has prepared and filed with the Securities and Exchange Commission (the "Commission") in accordance with the provisions of the Securities Act of 1933, as amended, and the rules and regulations of the Commission thereunder (collectively called the "Act") and the Investment Company Act of 1940, as amended, and the rules and regulations of the Commission thereunder (collectively called the "1940 Act", and together with the Act, the "Acts"), a registration statement on Form N-2 (Nos. 33-81186 and 811-8608) including a prospectus relating to U.S. Shares, which may be amended. In addition, a notification of registration on Form N-8A (the "Notification") has been filed by the Fund with the Commission under the 1940 Act. The registration statement as amended at the time when it becomes effective, including information (if any) deemed to be part of the registration statement at the time of effectiveness pursuant to Rule 430A under the Act, is hereinafter referred to as the Registration Statement; and the prospectus in the form first used to confirm sales of U.S. Shares is hereinafter referred to as the Prospectus.

The Fund has also prepared an offering circular relating to the International Shares which may be amended. The offering circular in the form first used to confirm sales of

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International Shares is hereinafter referred to as the Offering Circular.

2. Agreements to Sell and Purchase. The Fund hereby agrees to issue and sell the U.S. Firm Shares to the several U.S. Underwriters and each of the U.S. Underwriters, upon the basis of the representations and warranties contained in this Agreement, and subject to its terms and conditions, agrees, severally and not jointly, to purchase from the Fund at a price per share of $__ (the "Purchase Price"), the respective number of U.S. Firm Shares set forth opposite the name of such U.S. Underwriter in Schedule I hereto.

On the basis of the representations and warranties contained in this Agreement, and subject to its terms and conditions, the Fund agrees to issue and sell to the U.S. Underwriters the Additional U.S. Shares and the U.S. Underwriters shall have a right to purchase, in whole or in part, from time to time, severally and not jointly, up to _____ Additional U.S. Shares from the Fund at the Purchase Price. Additional U.S. Shares may be purchased solely for the purpose of covering over-allotments made in connection with the offering of the Firm Shares. The U.S. Underwriters may exercise their right to purchase any Additional U.S. Shares by giving written notice thereof to the Fund one or more times within 30 days after the date of this Agreement. You shall give such notice on behalf of the U.S. Underwriters and the notice shall specify the aggregate number of Additional U.S. Shares to be purchased and the date for payment and delivery thereof. The date specified in the notice shall be a business day (i) no earlier than the Closing Date (as hereinafter

defined), (ii) no later than ten business days after such notice has been given and (iii) no earlier than two business days after such notice has been given. If any Additional U.S. Shares are to be purchased, each U.S. Underwriter, severally and not jointly, agrees to purchase from the Fund the number of Additional U.S. Shares (subject to such adjustments to eliminate fractional shares as you may determine) which bears the same proportion to the total number of Additional U.S. Shares to be purchased from the Fund as the number of U.S. Firm Shares set forth opposite the name of such U.S. Underwriter in Schedule I bears to the total number of U.S. Firm Shares in Schedule I.

The Fund hereby agrees that it will not, for a period of 180 days following the date the Registration Statement becomes effective, without the prior written consent of Baring Securities Inc., offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, any shares of Common Stock (other than pursuant to the Fund's Dividend Reinvestment and Cash Purchase Plan).

3. Terms of Public Offering. The Fund is advised by you that the U.S. Underwriters propose (i) to make a public offering of their respective portions of the U.S. Shares as soon after the effective date of the Registration Statement as in your

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judgment is advisable and (ii) initially to offer the U.S. Shares upon the terms set forth in the Prospectus.

4. Delivery and Payment. Delivery to the U.S. Underwriters of and payment for the U.S. Firm Shares shall be made at 10:00 A.M., New York City time, on the fifth business day (the "Closing Date") following the date of the initial public offering, at the office of Simpson Thacher & Bartlett, 425 Lexington Avenue, New York, New York 10017. The Closing Date and the location of delivery of and the form of payment for the U.S. Firm Shares may be varied by agreement between you and the Fund.

Delivery to the U.S. Underwriters of and payment for any Additional U.S. Shares to be purchased by the U.S. Underwriters shall be made at 10:00 A.M., New York City time, on the date specified in each exercise notice given by you pursuant to Section 2 (each, an "Option Closing Date") at the office of Simpson Thacher & Bartlett, 425 Lexington Avenue, New York, New York 10017. The Option Closing Date and the location of delivery of and the form of payment for the Additional U.S. Shares may be varied by agreement between you and the Fund.

Certificates for the U.S. Shares shall be registered in such names and issued in such denominations as you shall request in writing not later than two-full business days prior to the Closing Date or the Option Closing Date, as the case may be. Such certificates shall be made available to you for inspection not later than 9:30 A.M., New York City time, on the business day next preceding the Closing Date or the Option Closing Date, as the case may be. Certificates in definitive form evidencing the U.S. Shares shall be delivered to you on the Closing Date or the Option Closing Date, as the case may be, with any transfer taxes thereon duly paid by the Fund, for the respective accounts of the several U.S. Underwriters, against payment of the Purchase Price therefor by certified or official bank checks payable in New York Clearing House (next day) funds to the order of the Fund.

5. Agreements of the Fund. The Fund agrees with you:

(a) To use its best efforts to cause the Registration Statement to become effective at the earliest possible time.

(b) At any time during the period specified in paragraph (e), to advise you promptly and, if requested by you, to confirm such advice in writing, (i) when the Registration Statement has become effective and when any post-effective amendment to it becomes effective, (ii) of any request by the Commission for amendments to the Registration Statement or amendments or supplements to the Prospectus

or for additional information, (iii) of the application for and the issuance of any order exempting the Fund from any provisions of the 1940 Act, (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or of the

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suspension of qualification of the Shares for offering or sale in any jurisdiction, or the initiation of any proceeding for such purposes, (v) of the issuance by the Commission of a notice or order of suspension or revocation of the Notification or the initiation of any proceeding for that purpose, and (vi) of the happening of any event during the period referred to in paragraph (e) below which makes any statement of a material fact made in the Registration Statement or the Prospectus untrue or which requires the making of any additions to or changes in the Registration Statement or the Prospectus in order to make the statements therein not misleading. If at any time during the period specified in paragraph (e), the Commission shall issue any stop order suspending the effectiveness of the Registration Statement, the Fund will make every reasonable effort to obtain the withdrawal or lifting of such order at the earliest possible time.

(c) To furnish to you, without charge, three signed copies of the Registration Statement and Notification as first filed with the Commission and of each amendment to the Registration Statement or Notification filed during the period specified in paragraph (e), including all exhibits, and to furnish to you and each U.S. Underwriter designated by you such number of conformed copies of the Registration Statement as so filed and of each amendment to it, without exhibits, as you may reasonably request.

(d) During the period specified in paragraph (e), not to file any amendment or supplement to the Registration Statement, whether before or after the time when it becomes effective, or to make any amendment or supplement to the Prospectus of which you shall not previously have been advised or to which you shall reasonably object and to prepare and file with the Commission, promptly upon your reasonable request, any amendment to the Registration Statement or supplement to the Prospectus which may be necessary or advisable in connection with the distribution of the U.S. Shares by you, and to use its best efforts to cause the same to become effective promptly.

(e) Promptly after the Registration Statement becomes effective, and from time to time thereafter for such period as in the opinion of counsel for the U.S. Underwriters a prospectus is required by law to be delivered in connection with sales by a U.S. Underwriter or a dealer, to furnish to each U.S. Underwriter and dealer as many copies of the Prospectus (and of any amendment or supplement to the Prospectus) as such U.S. Underwriter or dealer may reasonably request.

(f) If during the period specified in paragraph (e) any event shall occur as a result of which, in the opinion of counsel for the U.S. Underwriters it becomes necessary to

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amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered to a purchaser, not misleading, or if it is necessary to amend or supplement the Prospectus to comply with any applicable law, forthwith to prepare and file with the Commission an appropriate amendment or supplement to the Prospectus so that the statements in the Prospectus, as so amended or supplemented, will not in the light of the circumstances when it is so delivered, be misleading, or so that the Prospectus will comply with law, and to furnish to each U.S.

Underwriter and to such dealers as you shall specify, such number of copies thereof as such U.S. Underwriter or dealers may reasonably request.

(g) Prior to any public offering of the U.S. Shares, to cooperate with you and counsel for the U.S. Underwriters in connection with the registration or qualification of the U.S. Shares for offer and sale by the several U.S. Underwriters and by dealers under the state securities or Blue Sky laws of such jurisdictions as you may request, to continue such qualification in effect so long as required for distribution of the U.S. Shares and to assist counsel to the U.S. Underwriters in filing such consents to service of process or other documents as may be necessary in order to effect such registration or qualification.

(h) The Fund will make generally available to its security holders as soon as reasonably practicable an earnings statement which need not be audited covering a period of at least twelve months after the effective date of the Registration Statement (but in no event commencing later than 90 days after such date) which shall satisfy the provisions of Section 11(a) of the Act and Rule 158 promulgated thereunder and to advise you in writing when such statement has been so made available.

(i) During the period referred to in paragraph (h), to furnish to you as soon as available a copy of each report or other publicly available information of the Fund mailed to the holders of Common Stock or filed with the Commission and such other publicly available information concerning the Fund as you may reasonably request.

(j) To pay all costs, expenses, fees and taxes incident to (i) the preparation, printing, filing and distribution under the Act of the Registration Statement (including financial statements and exhibits), each preliminary prospectus and all amendments and supplements to any of them prior to or during the period specified in paragraph (e), (ii) the printing and delivery of the Prospectus and all amendments or supplements to it during the period specified in paragraph (e), (iii) the printing and delivery of this Agreement, the International Underwriting Agreement, the Agreement Between, the

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Preliminary and Supplemental Blue Sky Memoranda and all other agreements, memoranda, correspondence and other documents printed and delivered in connection with the offering of the U.S. Shares (including in each case any disbursements of counsel for the U.S. Underwriters relating to such printing and delivery), (iv) the registration or qualification of the U.S. Shares for offer and sale under the securities or Blue Sky laws of the several states and Canada (including in each case the fees and disbursements of counsel for the U.S. Underwriters relating to such registration or qualification and memoranda relating thereto), (v) filings and clearance with the National Association of Securities Dealers, Inc. in connection with the offering, (vi) the listing of the Shares on the New York Stock Exchange (the "NYSE"), (vii) the preparation, printing and distribution of advertising and sales material used in connection with the offering of the Shares, including the expenses of printing and delivery to the Underwriters of any Omitting Prospectus (as defined below) and the costs of preparing, printing and distributing "internal use only" materials prepared on behalf of the Fund and not distributed to the public, (viii) furnishing such copies of the Registration Statement, the Prospectus and all amendments and supplements thereto as may be requested for use in connection with the offering or sale of the U.S. Shares by the Underwriters or by dealers to whom U.S. Shares may be sold, (ix) an aggregate of up to $200,000 in partial reimbursement of the Underwriters' actual expenses, which will be payable on the Closing Date, and (x) the performance by the Fund of

its other obligations under this Agreement. In the event the transactions contemplated herein are not consummated, the Investment Manager will pay all the costs, expenses, fees and taxes set forth above that the Fund would have paid if such transactions were consummated.

(k) To apply the net proceeds from the sale of the Shares in accordance with the description set forth in the Prospectus under "Use of Proceeds".

(l) To use its best efforts to do and perform all things required or necessary to be done and performed under this Agreement by the Fund prior to the Closing Date or the Option Closing Date, as the case may be, and to satisfy all conditions precedent to the delivery of the Shares.

(m) To use its best efforts to maintain its qualification as a regulated investment company under Subchapter M of the U.S. Internal Revenue Code of 1986, as amended ("Subchapter M").

(n) Not to establish a record date for the payment of dividends or other distributions which is earlier than ten full business days after the last day on which the several

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U.S. Underwriters may exercise their options to purchase any Additional U.S. Shares pursuant to Section 2.

6. Agreement of the Investment Manager, Investment Adviser and the Sub-Adviser. Each of the Investment Manager, the Investment Adviser and the Sub-Adviser agrees with you that for a period of 180 days from the date of the Prospectus, not to act, without your prior written consent, as investment adviser to any other newly formed or existing closed-end investment company registered under the 1940 Act investing 65% or more of its total assets in securities of Korean Issuers (as defined in the Prospectus).

7. Agreement of the Investment Manager. The Investment Manager agrees to pay each of the U.S. Underwriters a sales incentive fee equal to 0.15% of all Shares such U.S. Underwriter sells if it sells between 250,000 Shares and 1,499,999 Shares, inclusive, 0.25% of all Shares such U.S. Underwriter sells if it sells between 1,500,000 Shares and 3,499,999 Shares, inclusive and 0.30% of all Shares such U.S. Underwriter sells if it sells 3,500,000 or more Shares computed according to the formulas set forth in Schedule II hereto. Such sales incentive fee will be paid at the highest rate achieved in respect of all Shares sold by such Underwriter. The sales incentive fee shall be payable on the Closing Date.

8. Representations and Warranties of the Fund, the Investment Manager, the Investment Adviser and the Sub-Adviser. The Fund, the Investment Manager, the Investment Adviser and the Sub-Adviser each severally represents and warrants to each U.S. Underwriter that:

(a) (i) The Fund meets the requirements for use of Form N-2 under the Acts. A Registration Statement with respect to the U.S. Shares, including a preliminary form of the prospectus, has been prepared by the Fund in conformity in all material respects with requirements of the Acts and has been filed with the Commission. The Fund may have filed one or more amendments to such Registration Statement, including the related preliminary prospectus, each of which has previously been furnished to you. In addition, the Fund has prepared and filed the Notification with the Commission in conformity in all material respects with requirements of the Acts, which Notification has previously been furnished to you; and (ii) no order preventing or suspending the use of any preliminary prospectus has been issued by the Commission and the preliminary prospectus, at the time of filing thereof, complied in all material respects with the provisions of the Acts and did not contain any untrue statement of a

material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, except that the representations and warranties contained in this section (ii) shall not apply to statements or omissions in any

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preliminary prospectus based upon information relating to any U.S. Underwriter furnished to the Fund in writing by or on behalf of any U.S. Underwriter through you expressly for use therein.

(b) (i) The Notification, the Registration Statement and the Prospectus and any amendments or supplements thereto at the time they became or become effective, complied with or will comply in all material respects with the provisions of the Acts and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading; and (ii) the Prospectus and any supplements thereto did not or will not at such times contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the representations and warranties contained in clauses (i) and (ii) of this paragraph (b) shall not apply to statements or omissions in the Registration Statement or the Prospectus (or any supplement or amendment to them) based upon information relating to any U.S. Underwriter furnished to the Fund in writing by or on behalf of any U.S. Underwriter through you expressly for use therein.

(c) The Fund is a duly organized, validly existing corporation in good standing under the laws of the State of Maryland and has the corporate power to own, lease and operate its properties and the authority required to carry on its business as described in the Registration Statement and Prospectus and to issue and sell the Shares as contemplated in this Agreement and the International Underwriting Agreement, and is duly qualified and is in good standing as a foreign corporation authorized to do business in each jurisdiction in which the nature of its business or its ownership or leasing of property requires such qualification, except where the failure to be so qualified would not have a material adverse effect on the Fund. The Fund has no subsidiaries.

(d) The Fund is duly registered with the Commission under the 1940 Act as a closed-end, non-diversified management investment company and the operations of the Fund, as described in the Registration Statement and the Prospectus, are in compliance in all material respects with all applicable laws, rules, regulations, orders and similar requirements and no order of suspension or revocation of such registration has been issued or proceedings therefor initiated or threatened by the Commission.

(e) All of the outstanding shares of capital stock of the Fund have been duly authorized and validly issued and are fully paid and non-assessable with no personal liability

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attaching to the ownership thereof and are not subject to any preemptive or similar rights; and the Shares to be issued and sold by the Fund hereunder and under the International Underwriting Agreement, have been duly authorized and, when issued and delivered to the Underwriters against payment therefor as provided by this Agreement and the International Underwriting Agreement, will be validly issued, fully paid and non-assessable with no personal liability attaching to ownership thereof, and the issuance of such Shares will not be subject

to any preemptive or similar rights; the Fund has not granted to any person any right to require registration of shares of Common Stock or any other security of the Fund.

(f) The authorized, issued and outstanding capital stock of the Fund conforms in all material respects to the description thereof contained in the Registration Statement and Prospectus.

(g) The Fund has full corporate power and authority to enter into and perform its obligations under this Agreement, the International Underwriting Agreement, the Investment Management Agreement between the Fund and the Investment Manager (the "Management Agreement"), the Investment Advisory Agreement among the Fund, the Investment Manager and the Investment Adviser (the "Advisory Agreement"), the Sub-Advisory Agreement among the Fund, the Investment Adviser and the Sub-Adviser (the "Sub-Advisory Agreement"), the Custodial Services Agreement between the Fund and The Chase Manhattan Bank, N.A. (the "Custodian Agreement"), the Sub-Custodian Agreement among the Fund, The Chase Manhattan Bank, N.A. and The Hong Kong and Shanghai Banking Corporation (the "Sub-Custodian Agreement") and the Transfer Agency Services Agreement between the Fund and State Street Bank and Trust Company (the "Transfer Agency Agreement") (the Management Agreement, the Advisory Agreement, the Sub-Advisory Agreement, the Custodian Agreement, the Sub-Custodian Agreement and the Transfer Agency Agreement are collectively referred to herein as the "Fund Agreements").

(h) The Fund is not in violation of its charter or by-laws or in default in the performance of any obligation, agreement, covenant or condition contained in any bond, debenture, note or any other evidence of indebtedness or contained in any other contract, agreement, mortgage, lease, indenture or instrument material to the conduct of the business of the Fund, to which the Fund is a party or by which it or its property is bound.

(i) This Agreement, the International Underwriting Agreement, and the Fund Agreements have each been duly authorized by all requisite corporate action on the part of the Fund and have been validly executed and delivered by the Fund and each complies in all material respects with all

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applicable provisions of the 1940 Act. Assuming due authorization, execution and delivery by the other parties thereto, each of the Fund Agreements constitutes a valid and binding agreement of the Fund, enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equity principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(j) The execution, delivery and performance of this Agreement, the International Underwriting Agreement and the Fund Agreements, compliance by the Fund with all the provisions hereof and thereof and the consummation of the transactions contemplated hereby and thereby will not (A) violate the articles of incorporation or by-laws of the Fund, or (B) conflict with or constitute a breach of any of the terms or provisions of or a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Fund, pursuant to any contract, agreement, note, bond, debenture, mortgage, lease, indenture or other instrument to which the Fund is a party or by which the Fund's property is bound, or (C) violate or conflict with any statutes, laws, regulations or rulings to which the Fund or any of its property may be subject or any judgment, injunction, decree or order of any court or governmental agency or authority entered in any proceeding to which the Fund was or

is now a party or by which the Fund or any of its property is bound, or (D) require any consent, approval, authorization or other order of or registration or filing with, any court, regulatory body, administrative agency or other governmental body (except such as have been duly obtained and such as may be required under the securities or Blue Sky laws of those United States and Canadian jurisdictions in which U.S. Shares will be offered or sold).

(k) There are no legal or governmental proceedings pending to which the Fund is a party or of which any of its property is the subject, which could reasonably be expected to have a material adverse effect on the business or financial position of the Fund or which questions the performance by the Fund of this Agreement, the International Underwriting Agreement, or the Fund Agreements and, to the best of the Fund's knowledge, no such proceedings are threatened or contemplated. There is no contract or document of a character required under the Acts to be described in the Registration Statement or the Prospectus or to be filed as an exhibit to the Registration Statement that is not so described or filed as required.

(l) Since the dates as of which information is given in the Registration Statement and the Prospectus, except as

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otherwise stated therein or contemplated thereby, there has not been (a) any material adverse change in the condition (financial or otherwise), earnings, business affairs or business prospects of the Fund or (b) any transaction entered into by the Fund, other than in the ordinary course of business, that is material to the Fund.

(m) Each of this Agreement, the International Underwriting Agreement, and the Fund Agreements has been approved by the initial sole shareholder of the Fund and the Board of Directors of the Fund to the extent and in the manner required by the 1940 Act.

(n) The Fund maintains insurance of the types and at the levels required by the 1940 Act.

(o) Price Waterhouse LLP, the accountants who audited the statement of assets and liabilities included in the Registration Statement and the Prospectus are independent public accountants with respect to the Fund as required by the Act.

(p) The statement of assets and liabilities set forth in the Registration Statement and the Prospectus (and any amendment or supplement thereto), presents fairly in all material respects, the financial position of the Fund as of the date indicated in conformity with generally accepted accounting principles.

(q) The information set forth in the Prospectus under the caption "Summary of Expenses" has been prepared in accordance with the requirements of Form N-2 and to the extent estimated or projected, such estimates or projections are fairly determined and reasonably based.

(r) The Fund has the license to use, for so long as the Investment Manager or an affiliate of the Investment Manager is the investment manager of the Fund, adequate trademarks, service marks and trade names necessary to conduct its business as described in the Registration Statement and Prospectus, and the Fund has not received any notice of infringement of or conflict with asserted rights of others with respect to any trademarks, service marks or trade names which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would materially adversely affect the conduct of the business, operations, financial condition or income of the Fund.

(s) The Fund intends to direct the investment of the proceeds of the offering described in the Registration Statement in such a manner as to comply with the requirements of Subchapter M and intends to qualify as a regulated investment company under Subchapter M of the Code.

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(t) The Shares have been approved for listing subject to official notice of issuance, on the New York Stock Exchange.

(u) The advertising and sales literature approved by the Fund for use in connection with the public offering and sale of the Shares pursuant to Rule 482 under the rules and regulations under the Acts and filed by the Fund with the NASD for review in accordance with Rule 497(i) under the rules and regulations under the Acts (an "Omitting Prospectus") complies in all material respects with the requirements of the Acts, and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, such circumstances including the fact that in accordance with Rule 482 certain information included in the Prospectus has been omitted from advertising and sales literature.

(v) The advertising and sales literature, if any, approved by the Fund for use in connection with the public offering and sale of the Shares pursuant to Rule 134 under the rules and regulations under the Act and filed by the Fund with the NASD for review complies in all material respects with the requirements of the Acts.

9. Representations and Warranties of the Investment Manager. The Investment Manager represents and warrants to each U.S. Underwriter that:

(a) The Investment Manager is a duly organized, validly existing corporation in good standing under the laws of the Commonwealth of Massachusetts and has the corporate power and authority to own, lease and operate its properties and to carry on its business as described in the Registration Statement and the Prospectus and is duly qualified and is in good standing as a foreign corporation authorized to do business in each jurisdiction in which the nature of its business or its ownership or leasing of property requires such qualification except where the failure to be so qualified would not have a material adverse effect on the Investment Manager.

(b) The Investment Manager is duly registered with the Commission as an investment adviser under the Advisers Act of 1940, as amended (the "Advisers Act") and is not prohibited by the Advisers Act or the 1940 Act from acting under this Agreement, the International Underwriting Agreement, the Management Agreement or the Advisory Agreement as contemplated by the Registration Statement and the Prospectus; and is in compliance in all material respects with all applicable laws, rules, regulations, orders and similar requirements and no order of suspension

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or revocation, of such registration has been issued or proceedings therefore initiated or threatened by the Commission.

(c) The description of the Investment Manager in the Prospectus is true and correct and does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the

statements therein not misleading.

(d) The Investment Manager has full corporate power and authority to enter into and perform its obligations under this Agreement, the International Underwriting Agreement, the Management Agreement and the Advisory Agreement, respectively.

(e) This Agreement, the International Underwriting Agreement, the Management Agreement and the Advisory Agreement have each been duly authorized by all requisite corporate action on the part of the Investment Manager and have been validly executed and duly delivered by the Investment Manager, and each complies in all material respects with all applicable provisions of the 1940 Act. Assuming due authorization, execution and delivery by the other parties thereto, each of the Management Agreement and the Advisory Agreement constitutes a valid and binding agreement of the Investment Manager enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equity principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(f) The execution, delivery and performance of this Agreement, the International Underwriting Agreement, the Management Agreement and the Advisory Agreement, compliance by the Investment Manager with all the provisions hereof and thereof and the consummation of the transactions contemplated hereby and thereby will not (A) violate the articles of incorporation or by-laws of the Investment Manager, or (B) conflict with or constitute a breach of any of the terms or provisions of, or a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Investment Manager pursuant to any contract, agreement, note, bond, debenture, mortgage, lease, indenture or other instrument to which the Investment Manager is a party or by which the Investment Manager's property is bound, except where such breach or conflict would not have a material adverse effect on the Investment Manager, or (C) violate or conflict with any statutes, laws, regulations or rulings to which the Investment Manager or any of its property may be subject or any judgment, injunction, decree or order of any court or

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governmental agency or authority entered in any proceeding to which the Investment Manager was or is now a party or by which the Investment Manager or any of its property is bound, except where such violation or conflict would not have a material adverse effect on the Investment Manager, or (D) require any consent, approval, authorization or other order of or registration or filing with, any court, regulatory body, administrative agency or other governmental body (except such as have been duly obtained and such as may be required under the securities or Blue Sky laws of those United States and Canadian jurisdictions in which U.S. Shares will be offered or sold).

(g) There are no legal or governmental proceedings pending to which the Investment Manager is a party or to which any of its property is subject, which could reasonably be expected to have a material adverse effect on the business or financial position of the Fund or the Investment Manager, or which questions the performance by the Investment Manager under this Agreement, the International Underwriting Agreement, the Management Agreement or the Advisory Agreement and, to the best of the Investment Manager's knowledge, no such proceedings are threatened or contemplated.

(h) The Investment Manager has the financial resources available to it reasonably necessary for the performance of it

services and obligations as contemplated in the Prospectus.

10. Representations and Warranties of the Investment Adviser. The Investment Adviser represents and warrants to each U.S. Underwriter that:

(a) The Investment Adviser is a duly organized, validly existing corporation in good standing under the laws of Bermuda and has the corporate power and authority to own, lease and operate its properties and the authority to carry on its business as described in the Registration Statement and the Prospectus and is duly qualified and is in good standing as a foreign corporation authorized to do business in each jurisdiction in which the nature of its business or its ownership or leasing of property requires such qualification except where the failure to be so qualified would not have a material adverse effect on the Investment Adviser.

(b) The Investment Adviser is duly registered with the Commission as an investment adviser under the Advisers Act and is not prohibited by the Advisers Act or the 1940 Act from acting under this Agreement, the International Underwriting Agreement, the Advisory Agreement or the Sub-Advisory Agreement as contemplated by the Registration Statement and the Prospectus; and is in compliance in all

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material respects with all applicable laws, rules, regulations, orders and similar requirements and no order of suspension or revocation of such registration has been issued or proceedings therefor initiated or threatened by the Commission.

(c) The description of the Investment Adviser in the Prospectus is true and correct and does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading.

(d) The Investment Adviser has full corporate power and authority to enter into and perform its obligations under this Agreement, the International Underwriting Agreement, the Advisory Agreement and the Sub-Advisory Agreement, respectively.

(e) This Agreement, the International Underwriting Agreement, the Advisory Agreement and the Sub-Advisory Agreement have each been duly authorized by all requisite corporate action on the part of the Investment Adviser and have been validly executed and duly delivered by the Investment Adviser, and each complies in all material respects with all applicable provisions of the 1940 Act. Assuming due authorization, execution and delivery by the other parties thereto, each of the Advisory Agreement and the Sub-Advisory Agreement constitutes a valid and binding agreement of the Investment Adviser enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equity principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(f) The execution, delivery and performance of this Agreement, the International Underwriting Agreement, the Advisory Agreement and the Sub-Advisory Agreement, compliance by the Investment Adviser with all the provisions hereof and thereof and the consummation of the transactions contemplated hereby and thereby will not (A) violate the articles of incorporation or by-laws of the Investment Adviser, or (B) conflict with or constitute a breach of any of the terms or provisions of, or a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Investment Adviser pursuant to any contract, agreement, note, bond, debenture, mortgage, lease, indenture or other

instrument to which the Investment Adviser is a party or by which the Investment Adviser's property is bound, except where such breach or conflict would not have a material adverse effect on the Investment Adviser, or (C) violate or conflict with any statutes, laws, regulations or rulings to which the

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Investment Adviser or any of its property may be subject or any judgment, injunction, decree or order of any court or governmental agency or authority entered in any proceeding to which the Investment Adviser was or is now a party or by which the Investment Adviser or any of its property is bound, except where such violation or conflict would not have a material adverse effect on the Investment Adviser, or (D) require any consent, approval, authorization or other order of or registration or filing with, any court, regulatory body, administrative agency or other governmental body (except such as have been duly obtained and such as may be required under the securities or Blue Sky laws of those United States and Canadian jurisdictions in which U.S. Shares will be offered or sold).

(g) There are no legal or governmental proceedings pending to which the Investment Adviser is a party or to which its property is the subject, which could reasonably be expected to have a material adverse effect on the business or financial position of the Fund or the Investment Adviser, or which questions the performance by the Investment Adviser under this Agreement, the International Underwriting Agreement, the Advisory Agreement or the Sub-Advisory Agreement and, to the best of the Investment Adviser's knowledge, no such proceedings are threatened or contemplated.

(h) The Investment Adviser has the financial resources available to it reasonably necessary for the performance of it services and obligations as contemplated in the Prospectus.

11. Representations and Warranties of the Sub-Adviser. The Sub-Adviser represents and warrants to each U.S. Underwriter that:

(a) The Sub-Adviser is a duly organized, validly existing corporation in good standing under the laws of Japan and has the corporate power and authority to own, lease and operate its properties and the authority to carry on its business as described in the Registration Statement and the Prospectus and is duly qualified and is in good standing as a foreign corporation authorized to do business in each jurisdiction in which the nature of its business or its ownership or leasing of property requires such qualification except where the failure to be so qualified would not have a material adverse effect on the Sub-Adviser.

(b) The Sub-Adviser is duly registered with the Commission as an investment adviser under the Advisers Act and is not prohibited by the Advisers Act or the 1940 Act from acting under this Agreement, the International Underwriting Agreement, or the Sub-Advisory Agreement as contemplated by the Registration Statement and the

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Prospectus; and is in compliance in all material respects with all applicable laws, rules, regulations, orders and similar requirements and no order of suspension or revocation of such registration has been issued or proceedings therefor initiated or threatened by the Commission.

(c) The description of the Sub-Adviser in the Prospectus

is true and correct and does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading.

(d) The Sub-Adviser has full corporate power and authority to enter into and perform its obligations under this Agreement, the International Underwriting Agreement and the Sub-Advisory Agreement, respectively.

(e) This Agreement, the International Underwriting Agreement and the Sub-Advisory Agreement have each been duly authorized by all requisite corporate action on the part of the Sub-Adviser and have been validly executed and duly delivered by the Sub-Adviser, and each complies in all material respects with all applicable provisions of the 1940 Act. Assuming due authorization, execution and delivery by the other parties thereto, the Sub-Advisory Agreement constitutes a valid and binding agreement of the Sub-Adviser enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equity principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(f) The execution, delivery and performance of this Agreement, the International Underwriting Agreement and the Sub-Advisory Agreement, compliance by the Sub-Adviser with all the provisions hereof and thereof and the consummation of the transactions contemplated hereby and thereby will not (A) violate the articles of incorporation or by-laws of the Sub-Adviser, or (B) conflict with or constitute a breach of any of the terms or provisions of, or a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Sub-Adviser pursuant to any contract, agreement, note, bond, debenture, mortgage, lease, indenture or other instrument to which the Sub-Adviser is a party or by which the Sub-Adviser's property is bound, except where such breach or conflict would not have a material adverse effect on the Sub-Adviser, or (C) violate or conflict with any statutes, laws, regulations or rulings to which the Sub-Adviser or any of its property may be subject or any judgment, injunction, decree or order of any court or governmental agency or

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authority entered in any proceeding to which the Sub-Adviser was or is now a party or by which the Sub-Adviser or any of its property is bound, except where such violation or conflict would not have a material adverse effect on the Sub-Adviser, or (D) require any consent, approval, authorization or other order of or registration or filing with, any court, regulatory body, administrative agency or other governmental body (except such as have been duly obtained and such as may be required under the securities or Blue Sky laws of those United States and Canadian jurisdictions in which U.S. Shares will be offered or sold).

(g) There are no legal or governmental proceedings pending to which the Sub-Adviser is a party or to which its property is the subject, which could reasonably be expected to have a material adverse effect on the business or financial position of the Fund or the Sub-Adviser, or which questions the performance by the Sub-Adviser under this Agreement, the International Underwriting Agreement or the Sub-Advisory Agreement and, to the best of the Sub-Adviser's knowledge, no such proceedings are threatened or contemplated.

(h) The Sub-Adviser has the financial resources available to it reasonably necessary for the performance of it services and obligations as contemplated in the Prospectus.

12. Indemnification. (a) The Fund, the Investment Manager, the Investment Adviser and the Sub-Adviser, jointly and severally, agree to indemnify and hold harmless each U.S. Underwriter and each person, if any, who controls any U.S. Underwriter within the meaning of Section 15 of the Act or Section 20 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), from and against any and all losses, claims, damages, liabilities, judgments or expenses (including reasonable legal and other expenses incurred in connection with any action, suit or proceeding or any claim asserted) caused by any untrue statement or alleged untrue statement of a material fact contained in (i) the Registration Statement, (ii) the Prospectus and the Offering Circular (each as amended or supplemented if the Fund shall have furnished any amendments or supplements thereto), (iii) any preliminary prospectus or preliminary offering circular, (iv) any Omitting Prospectus, or (v) any advertising or sales materials approved by the Fund for use by the Underwriters in connection with the offering of the Shares, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages, liabilities or judgments are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to any U.S. Underwriters furnished in writing to the Fund by or on behalf of any U.S. Underwriter expressly for use therein.

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(b) In case any action shall be brought against any U.S. Underwriter or any person controlling such U.S. Underwriter, based upon any preliminary prospectus or preliminary offering circular, the Registration Statement, the Prospectus, the Offering Circular or any amendment or supplement to the foregoing documents and with respect to which indemnity may be sought against the Fund, the Investment Manager, the Investment Adviser or the Sub-Adviser, such U.S. Underwriter shall promptly notify the parties against whom indemnification is being sought (the "indemnifying party") in writing and the indemnifying party shall assume the defense thereof, including the employment of counsel reasonably satisfactory to such indemnified party and payment of all fees and expenses. Any U.S. Underwriter shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such U.S. Underwriter or such controlling person unless (i) the employment of such counsel shall have been specifically authorized in writing by the indemnifying party, (ii) the indemnifying party shall have failed to assume the defense and employ counsel or (iii) the named parties to any such action (including any impleaded parties) include both such U.S. Underwriter or such controlling person and the indemnifying party and such U.S. Underwriter or such controlling person shall have been advised by such counsel that there may be one or more legal defenses available to it which are different from or additional to those available to the indemnifying party (in which case the indemnifying party shall not have the right to assume the defense of such action on behalf of such U.S. Underwriter or such controlling person, it being understood, however, that the indemnifying party shall not, in connection with any one such action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) for all such U.S. Underwriters and controlling persons, which firm shall be designated in writing by you and that all such fees and expenses shall be reimbursed as they are incurred). None of the Fund, the Investment Manager, the Investment Adviser or the Sub-Adviser shall be liable for any settlement of any such action effected without the prior written consent of such indemnifying party but if settled with the prior written consent of such indemnifying party, or if there be a final judgment for the plaintiff in any such action or proceeding, such indemnifying party agrees to indemnify and hold harmless any U.S. Underwriter and any such controlling person from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as

contemplated by the second sentence of this paragraph, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 10 business days after receipt by such

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indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is, or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

(c) Each U.S. Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Fund, its directors, and its officers who sign the Registration Statement, each person, if any, who controls the Fund within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, the Investment Manager, the Investment Adviser and the Sub-Adviser, to the same extent as the foregoing indemnity from the Fund, the Investment Manager, the Investment Adviser and the Sub-Adviser to each U.S. Underwriter but only with reference to information relating to any U.S. Underwriter furnished to the Fund in writing by or on behalf of any U.S. Underwriter through you expressly for use in the Registration Statement, the Prospectus, the Offering Circular or any preliminary prospectus or preliminary offering circular. In case any action shall be brought against the Fund, any of its directors and any such officer or any person controlling the Fund, the Investment Manager, Investment Adviser or the Sub-Adviser based on the Registration Statement, the Prospectus, the Offering Circular or any preliminary prospectus or preliminary offering circular and in respect of which indemnity may be sought against any U.S. Underwriter, the U.S. Underwriter shall have the rights and duties given to the Fund, the Investment Manager, the Investment Adviser and the Sub-Adviser (except that if the Fund, the Investment Adviser, the Investment Manager and the Sub-Adviser shall have assumed the defense thereof, such U.S. Underwriter shall not be required to do so, but may employ separate counsel therein and participate in the defense thereof but the fees and expenses of such counsel shall be at the expense of such U.S. Underwriter), and the Fund, its directors, and any such officers, the Investment Manager, Investment Adviser and the Sub-Adviser, shall have the rights and duties given to the U.S. Underwriter, by Section 11(a) hereof.

(d) If the indemnification provided for in this Section 12 is unavailable to an indemnified party in respect of any losses, claims, damages, liabilities or judgments referred to therein, then each indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities and judgments (i) in such proportion as is appropriate to reflect the relative benefits received by the Fund, the Investment Manager, Investment Adviser and the Sub-Adviser on the one hand and the U.S. Underwriters on the other

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hand from the offering of the U.S. Shares or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Fund, the Investment Manager, the Investment Adviser and the Sub-Adviser on the one hand and the U.S. Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or judgments, as well as any other relevant equitable considerations. The relative benefits received by the Fund, the Investment Manager, the Investment Adviser and the Sub-Adviser on

the one hand and the U.S. Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the U.S. Offering (before deducting expenses) received by the Fund determined based upon the amount of proceeds relating to the U.S. Offering and the total underwriting discounts and commissions received by the U.S. Underwriters, bear to the total price to the public of the U.S. Shares, in each case as set forth in the table on the cover page of the Prospectus. The relative fault of the Fund, the Investment Manager, the Investment Adviser, the Sub-Adviser and the U.S. Underwriters shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the Fund, the Investment Adviser, the Investment Manager, the Sub-Adviser or the U.S. Underwriters and the parties relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Fund, the Investment Manager, the Investment Adviser, the Sub-Adviser and the U.S. Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 12(d) were determined by pro rata allocation (even if the U.S. Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages, liabilities or judgments referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 12, no U.S. Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the U.S. Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such U.S. Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute

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pursuant to this Section 12(d) are several in proportion to the respective number of U.S. Shares purchased by each of the U.S. Underwriters hereunder and not joint.

(e) The Fund, the Investment Manager, the Investment Adviser and the Sub-Adviser hereby designate the Investment Manager, 82 Devonshire Street, Boston, Massachusetts 02109, a Massachusetts corporation, as their authorized agent, upon which process may be served in any action, suit or proceeding which may be instituted in any state or federal court in the State of New York by any U.S. Underwriter or person controlling a U.S. Underwriter asserting a claim for indemnification or contribution under or pursuant to this Section 12, and the Fund, the Investment Manager, the Investment Adviser and the Sub-Adviser will accept the jurisdiction of such court in such action, and waive, to the fullest extent permitted by applicable law, any defense based upon lack of personal jurisdiction or venue. A copy of any such process shall be sent or given to the Fund, the Investment Manager, the Investment Adviser and the Sub-Adviser at the address for notices specified in Section 15 hereof. The Fund, the Investment Manager, the Investment Adviser and the Sub-Adviser hereby irrevocably consent to the jurisdiction of the United States District Court for the Southern District of New York and/or the New York State courts in connection with any legal action against the Fund and/or the Investment Manager and/or Investment Adviser and/or the Sub-Adviser hereunder.

13. Conditions of U.S. Underwriters' Obligations. The several obligations of the U.S. Underwriters to purchase the U.S. Firm Shares under this Agreement are subject to the satisfaction of each of the following conditions:

(a) All the representations and warranties of the Fund

contained in this Agreement shall be true and correct on the Closing Date with the same force and effect as if made on and as of the Closing Date.

(b) The Registration Statement shall have become effective not later than 5:00 P.M., New York City time, on the date of this Agreement or at such later date and time as you may approve in writing, and at the Closing Date no stop order suspending the effectiveness of the Registration Statement shall have been issued and no proceedings for that purpose shall have been commenced or shall be pending before or contemplated by the Commission.

(c) Since the date of the statement of assets and liabilities included in the Registration Statement and the Prospectus, there shall not have been any material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, affairs or business prospects, whether or not arising in the ordinary course of business, of the Fund; on the Closing Date you shall have received a certificate

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dated the Closing Date, signed by J. Gary Burkhead or Gary L. French, in their capacities as the Senior Vice President and Treasurer of the Fund, confirming the matters set forth in paragraphs (a), (b), and (c) of this Section 13.

(d) All the representations and warranties of the Investment Manager, Investment Adviser and the Sub-Adviser contained in this Agreement shall be true and correct on the Closing Date with the same force and effect as if made on and as of the Closing Date and you shall have received a certificate from each of the Investment Manager, the Investment Adviser and the Sub-Adviser to such effect, dated the Closing Date, signed by the respective President and Chief Financial Officer of each of the Investment Manager, Investment Adviser and the Sub-Adviser.

(e) You shall have received on the Closing Date an opinion (satisfactory to you and counsel for the U.S. Underwriters), dated the Closing Date, of Rogers & Wells, counsel for the Fund, to the effect that:

(i) The Fund has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Maryland.

(ii) The Fund has the corporate power to own, lease and operate its properties and the authority required to carry on its business as described in the Registration Statement and Prospectus and to issue and sell the Shares as contemplated in this Agreement and the International Underwriting Agreement.

(iii) The Fund is duly qualified and is in good standing as a foreign corporation authorized to do business in each jurisdiction in the United States in which the nature of its business or its ownership or leasing of property requires such qualification, except where the failure to be so qualified would not have a material adverse effect on the Fund; and the Fund has no subsidiaries.

(iv) The Fund is duly registered with the Commission under the 1940 Act as a closed-end, non-diversified, management investment company and the operations of the Fund, as described in the Registration Statement and the Prospectus, are in compliance in all material respects with all applicable United States laws, rules, regulations, orders and similar

requirements and no order of suspension or revocation of such registration has been issued or proceedings therefor initiated or threatened by the Commission.

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(v) The Fund has full corporate power and authority to enter into and perform its obligations under this Agreement, the International Underwriting Agreement and the Fund Agreements.

(vi) The Fund is not in violation of its charter or by-laws or in default in the performance of any obligation, agreement, covenant or condition contained in any bond, debenture, note or any other evidence of indebtedness or in any other contract, agreement, mortgage, lease, indenture or instrument material to the conduct of the business of the Fund, to which the Fund is a party or by which it or its property is bound.

(vii) This Agreement, the International Underwriting Agreement and the Fund Agreements have each been duly authorized by all requisite corporate action on the part of the Fund and have been validly executed and delivered by the Fund, and each complies in all material respects with all applicable provisions of the 1940 Act. Assuming due authorization, execution and delivery by the other parties thereto with respect to the Fund Agreements, each of the Fund Agreements constitutes a valid and binding agreement of the Fund, enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equity principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(viii) The execution, delivery and performance of this Agreement, the International Underwriting Agreement and the Fund Agreements, compliance by the Fund with all the provisions hereof and thereof and the consummation of the transactions contemplated hereby and thereby will not (A) violate the articles of incorporation or by-laws of the Fund, or (B) conflict with or constitute a breach of any of the terms or provisions of, or a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Fund pursuant to any contract, agreement, note, bond, debenture, mortgage, lease, indenture or other instrument to which the Fund is a party or by which the Fund's property is bound, or (C) violate or conflict with any United States statutes, laws, regulations or rulings to which the Fund or any of its property may be subject or any judgment, injunction, decree or order of any United States court or governmental agency or authority entered in any proceeding to which the Fund or any of its property is bound, or (D) require any

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consent, approval, authorization or other order of or registration or filing with, any United States court, regulatory body, administrative agency or other United States governmental body (except such as have been duly obtained, such as are pending as disclosed in the Prospectus, and such as may be required under the securities or Blue Sky laws of those United States and Canadian jurisdictions in which U.S.

Shares will be offered or sold).

(ix) Each of this Agreement, the International Underwriting Agreement and the Fund Agreements has been approved by the initial sole shareholder of the Fund and the Board of Directors of the Fund to the extent and in the manner required by the 1940 Act.

(x) All of the outstanding shares of capital stock of the Fund have been duly authorized and validly issued and are fully paid and non-assessable with no personal liability attaching to the ownership thereof and are not subject to any preemptive or similar rights; and the Shares to be issued and sold by the Fund hereunder and under the International Underwriting Agreement have been duly authorized and, when issued and delivered to the Underwriters against payment therefor as provided by this Agreement and the International Underwriting Agreement, will be validly issued, fully paid and non-assessable with no personal liability attaching to ownership thereof, and the issuance of such Shares will not be subject to any preemptive or similar rights; and no holder of any security of the Fund has any right to require the registration of shares of Common Stock or any other security of the Fund.

(xi) The authorized, issued and outstanding stock of the Fund conforms in all material respects to the description thereof contained in the Registration Statement and Prospectus.

(xii) After due inquiry, such counsel does not know of any legal or governmental proceedings pending or threatened to which the Fund is a party or of which its property is the subject, which could reasonably be expected to have a material adverse effect on the business or financial position of the Fund or which questions the performance by the Fund of this Agreement, the International Underwriting Agreement and the Fund Agreements. Such counsel does not know of any contract or document of a character required to be described in the Registration Statement or the Prospectus or to be filed as an exhibit to the Registration Statement that is not so described or filed as required.

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(xiii) The Registration Statement has become effective under the Acts, no stop order suspending its effectiveness has been issued and no proceedings for that purpose are, to the knowledge of such counsel, pending before or contemplated by the Commission.

(xiv) The statements under the captions "Management of the Fund", "Portfolio Transactions", "Dividends and Distributions; Dividend Reinvestment and Cash Purchase Plan", "Taxation" (to the extent that it constitutes matters of U.S. law), "Description of Capital Stock" and "Underwriting" in the Prospectus and Item 29 of Part C of the Registration Statement insofar as such statements constitute a summary of legal matters, documents or proceedings referred to therein, fairly present the information called for with respect to such legal matters, documents and proceedings.

(xv) The investment policies and restrictions described in the Prospectus under the captions "Investment Objective and Policies--Other Investments--Shares of Other Investment Funds", "Additional Investment Activities" and the restrictions contained in paragraph (2) and "Affiliated

Financial Institution Transactions" under the caption "Investment Restrictions" comply in all material respects with the requirements of the 1940 Act.

(xvi) (1) The Registration Statement and the Prospectus and any supplement or amendment thereto (except for financial statements as to which no opinion need be expressed) comply as to form in all material respects with the Acts, and (2) such counsel believes that (except for financial statements, as aforesaid) the Registration Statement and the Prospectus included therein at the time the Registration Statement became effective did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and that the Prospectus, as amended or supplemented, if applicable (except for financial statements, as aforesaid) does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(xvii) The Omitting Prospectus complies in all material respects with the requirements of the Acts, and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which

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they were made, not misleading, such circumstances including the fact that in accordance with Rule 482 certain information included in the Prospectus has been omitted from advertising and sales literature.

(xviii) The advertising and sales literature, if any, approved by the Fund for use in connection with the public offering and sale of the Shares pursuant to Rule 134 under the rules and regulations under the Act and filed by the Fund with the NASD for review complies in all material respects with the requirements of the Acts.

In giving such opinion with respect to the matters covered by clause (xvi) such counsel may state that their opinion and belief are based upon their participation in the preparation of the Registration Statement and Prospectus and any amendments or supplements thereto and review and discussion of the contents thereof, but are without independent check or verification except as specified.

(f) An opinion, dated at the Closing Date, of Arthur S. Loring, Senior Vice President and General Counsel, counsel for the Investment Manager, in form and substance satisfactory to counsel for the U.S. Underwriters, to the effect that:

(i) The Investment Manager is a duly organized, validly existing corporation in good standing under the laws of the Commonwealth of Massachusetts and has the corporate power and authority to own, lease and operate its properties and to carry on its business as described in the Registration Statement and the Prospectus.

(ii) The Investment Manager is duly qualified and is in good standing as a foreign corporation authorized to do business in each United States jurisdiction in which the nature of its business or its ownership or leasing of property requires such qualification except where the failure to be so qualified would not have a material adverse effect on the Investment Manager.

(iii) The Investment Manager is duly registered with the Commission as an investment adviser under the Advisers Act and is not prohibited by the Advisers Act or the 1940 Act from performing its obligations under this Agreement, the International Underwriting Agreement, the Management Agreement or the Advisory Agreement as contemplated by the Registration Statement and the Prospectus; and no order of suspension or revocation of such registration has been issued or proceedings therefor initiated or to such counsel's knowledge threatened by the Commission.

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(iv) Such counsel believes that the description of the Investment Manager in the Prospectus, as amended or supplemented, if applicable, is true and correct and does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading.

(v) The Investment Manager has full corporate power and authority to enter into and perform its obligations under this Agreement, the International Underwriting Agreement, the Management Agreement and the Advisory Agreement, respectively.

(vi) This Agreement, the International Underwriting Agreement, the Management Agreement and the Advisory Agreement have each been duly authorized by all requisite corporate action on the part of the Investment Manager and have been validly executed and delivered by the Investment Manager, and each complies in all material respects with all applicable provisions of the 1940 Act. Assuming due authorization, execution and delivery by the other parties thereto, each of the Management Agreement and the Advisory Agreement constitutes a valid and binding agreement of the Investment Manager enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equity principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(vii) The execution, delivery and performance of this Agreement, the International Underwriting Agreement, the Management Agreement and the Advisory Agreement, compliance by the Investment Manager with all the provisions hereof and thereof and the consummation of the transactions contemplated hereby and thereby will not (A) violate the articles of incorporation or by-laws of the Investment Manager, or (B) conflict with or constitute a breach of any of the terms or provisions of, or a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Investment Manager pursuant to any contract, agreement, note, bond, debenture, mortgage, lease, indenture or other instrument to which the Investment Manager is a party or by which the Investment Manager's property is bound except where such breach or conflict would not have a material adverse effect of the Investment Manager, or (C) violate or conflict with any United States statutes, laws, regulations or rulings to which the Investment Manager or any of its property may be

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subject or any judgment, injunction, decree or order of any United States court or governmental agency or authority entered in any proceeding to which the Investment Manager was or is now a party or by which the Investment Manager or any of its property is bound, except where such violation or conflict would not have a material adverse effect on the Investment Manager, or (D) require any consent, approval, authorization or other order of or registration or filing with, any United States court, regulatory body, administrative agency or other United States governmental body (except such as have been duly obtained and such as may be required under the securities or Blue Sky laws of those United States and Canadian jurisdictions in which U.S. Shares will be offered or sold).

(viii) After due inquiry, such counsel does not know of any legal or governmental proceedings pending to which the Investment Manager is a party or to which any of its property is the subject, which could reasonably be expected to have a material adverse effect on the business or financial position of Fund or the Investment Manager, or which questions the performance by the Investment Manager of its obligations under this Agreement, the International Underwriting Agreement, the Management Agreement or the Advisory Agreement and, to the best of such counsel's knowledge after reasonable inquiry, no such proceedings are threatened or contemplated.

(g) An opinion, dated at the Closing Date, of appropriate counsel or counsels for the Investment Adviser reasonably satisfactory to the U.S. Underwriters, in form and substance satisfactory to counsel for the U.S. Underwriters, to the effect that:

(i) The Investment Adviser is a duly organized, validly existing in good standing under the laws of Bermuda and has the corporate power and authority to own, lease and operate its properties and authority to carry on its business as described in the Registration Statement and the Prospectus.

(ii) The Investment Adviser is duly qualified and is in good standing as a foreign corporation authorized to do business in each jurisdiction in which the nature of its business or its ownership or leasing of property requires such qualification except where the failure to be so qualified would not have a material adverse effect on the Investment Adviser.

(iii) The Investment Adviser is duly registered with the Commission as an investment adviser under the Advisers Act and is not prohibited by the Advisers Act

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or the 1940 Act from performing its obligations under this Agreement, the International Underwriting Agreement, the Advisory Agreement or the Sub-Advisory Agreement as contemplated by the Registration Statement and the Prospectus; and no order of suspension or revocation of such registration has been issued or proceedings therefor initiated or threatened by the Commission.

(iv) Such counsel believes that the description of the Investment Adviser in the Prospectus, as amended or supplemented, if applicable, is true and correct and does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading.

(v) The Investment Adviser has full corporate power and authority to enter into and perform its obligations under this Agreement, the International Underwriting Agreement, the Advisory Agreement and the Sub-Advisory Agreement, respectively.

(vi) This Agreement, the International Underwriting Agreement, the Advisory Agreement and the Sub-Advisory Agreement have each been duly authorized by all requisite corporate action on the part of the Investment Adviser and have been validly executed and duly delivered by the Investment Adviser, and each complies in all material respects with all applicable provisions of the 1940 Act. Assuming due authorization, execution and delivery by the other parties thereto, each of the Advisory Agreement and the Sub-Advisory Agreement constitutes a valid and binding agreement of the Investment Adviser enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equity principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(vii) The execution, delivery and performance of this Agreement, the International Underwriting Agreement, the Advisory Agreement and the Sub-Advisory Agreement, compliance by the Investment Adviser with all the provisions hereof and thereof and the consummation of the transactions contemplated hereby and thereby will not (A) violate the articles of incorporation or by-laws of the Investment Adviser, or (B) conflict with or constitute a breach of any of the terms or provisions of, or a default under, or result in the creation or imposition of any lien, charge or

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encumbrance upon any property or assets of the Investment Adviser pursuant to any contract, agreement, note, bond, debenture, mortgage, lease, indenture or other instrument to which the Investment Adviser is a party or by which the Investment Adviser's property is bound except where such breach or conflict would not have a material adverse effect on the Investment Adviser, or (C) violate or conflict with any United States, Bermuda or Hong Kong statutes, laws, regulations or rulings to which the Investment Adviser or any of its property may be subject or any judgment, injunction, decree or order of any United States, Bermuda or Hong Kong court or governmental agency or authority entered in any proceeding to which the Investment Adviser was or is now a party or by which the Investment Adviser or any of its property is bound, except where such violation or conflict would not have a material adverse effect on the Investment Adviser, or (D) require any consent, approval, authorization or other order of or registration or filing with, any United States, Bermuda or Hong Kong court, regulatory body, administrative agency or other governmental body (except such as have been duly obtained and such as may be required under the securities or Blue Sky laws of those United States and Canadian jurisdictions in which U.S. Shares will be offered or sold).

(viii) After due inquiry, such counsel does not know of any legal or governmental proceedings pending to which the Investment Adviser is a party or to which its property is the subject which could reasonably be expected to have a material adverse effect on the business or financial position of the Fund or the Investment Adviser, questions the performance by the Investment Adviser of its obligations under this

Agreement, the International Underwriting Agreement, or the Advisory Agreement and, to the best of such counsel's knowledge, no such proceedings are threatened or contemplated.

(h) An opinion, dated at the Closing Date, of appropriate counsel or counsels for the Sub-Adviser reasonably satisfactory to the Underwriters, in form and substance satisfactory to counsel for the Underwriters, to the effect that:

(i) The Sub-Adviser is a duly organized, validly existing in good standing under the laws of Japan and has the corporate power and authority to own, lease and operate its properties and authority to carry on its business as described in the Registration Statement and the Prospectus.

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(ii) The Sub-Adviser is duly qualified and is in good standing as a foreign corporation authorized to do business in each jurisdiction in which the nature of its business or its ownership or leasing of property requires such qualification except where the failure to be so qualified would not have a material adverse effect on the Sub-Adviser.

(iii) The Sub-Adviser is duly registered with the Commission as an investment adviser under the Advisers Act and is not prohibited by the Advisers Act or the 1940 Act from acting under this Agreement, the International Underwriting Agreement, or the Sub-Advisory Agreement as contemplated by the Registration Statement and the Prospectus; and no order of suspension or revocation of such registration has been issued or proceedings therefor initiated or threatened by the Commission.

(iv) Such counsel believes that the description of the Sub-Adviser in the Prospectus, as amended or supplemented, if applicable, is true and correct and does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading.

(v) The Sub-Adviser has full corporate power and authority to enter into and perform its obligations under this Agreement, the International Underwriting Agreement, and the Sub-Advisory Agreement, respectively.

(vi) This Agreement, the International Underwriting Agreement, and the Sub-Advisory Agreement have each been duly authorized by all requisite corporate action on the part of the Sub-Adviser and have been validly executed and duly delivered by the Sub-Adviser, and each complies in all material respects with all applicable provisions of the 1940 Act. Assuming due authorization, execution and delivery by the other parties thereto, the Sub-Advisory Agreement constitutes a valid and binding agreement of the Sub-Adviser enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equity principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(vii) The execution, delivery and performance of this Agreement, the International Underwriting Agreement, and the Sub- Advisory Agreement, compliance

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by the Sub-Adviser with all the provisions hereof and thereof and the consummation of the transactions contemplated hereby and thereby will not (A) violate the articles of incorporation or by-laws of the Sub-Adviser, or (B) conflict with or constitute a breach of any of the terms or provisions of, or a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Sub-Adviser pursuant to any contract, agreement, note, bond, debenture, mortgage, lease, indenture or other instrument to which the Sub-Adviser is a party or by which the Sub-Adviser's property is bound except where such breach or conflict would not have a material adverse effect on the Sub-Adviser, or (C) violate or conflict with any United States of Japanese statutes, laws, regulations or rulings to which the Sub-Adviser or any of its property may be subject or any judgment, injunction, decree or order of any United States or Japanese court or governmental agency or authority entered in any proceeding to which the Sub-Adviser was or is now a party or by which the Sub-Adviser or any of its property is bound, except where such violation or conflict would not have a material adverse effect on the Sub-Adviser, or (D) require any consent, approval, authorization or other order of or registration or filing with, any United States or Japanese court, regulatory body, administrative agency or other governmental body (except such as have been duly obtained and such as may be required under the securities or Blue Sky laws of those United States and Canadian jurisdictions in which U.S. Shares will be offered or sold).

(viii) After due inquiry, such counsel does not know of any legal or governmental proceedings pending to which the Sub-Adviser is a party or to which its property is the subject which could reasonably be expected to have a material adverse effect on the business or financial position of the Fund or the Sub-Adviser, questions the performance by the Sub-Adviser under this Agreement, the International Underwriting Agreement, or the Sub-Advisory Agreement and, to the best of such counsel's knowledge, no such proceedings are threatened or contemplated.

(i) An opinion, dated as of Closing Time, of Shin & Kim, Korean counsel for the Fund, in form and substance satisfactory to counsel for the U.S. Underwriters to the effect that:

(i) Except for such consents, certificates, approvals, licenses, authorizations and orders of any court or governmental authority or agency as shall be specified in such counsel's opinion, all of which have

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been obtained and are in full force and effect and all conditions of which have been fully satisfied, there are no other consents, certificates, approvals, licenses, authorizations or orders of any court or governmental authority or agency required by any party to any of this Agreement, the International Underwriting Agreement, the Management Agreement, the Advisory Agreement, the Sub-Advisory Agreement or the Custodian Agreement from any governmental or other regulatory authorities, stock exchanges or securities business associations in or of Korea in connection with the execution, delivery or performance of any of this Agreement, the International Underwriting Agreement, the Management Agreement, the Advisory Agreement, the Sub-Advisory Agreement or the Custodian Agreement in the manner contemplated herein

or therein, or of the issue and sale of the Shares in the manner contemplated in the Prospectus or the conduct of the business of the Fund as described in the Prospectus.

(ii) The U.S.-Korea Tax Treaty is applicable to the Fund if and so long as the Fund operates in the manner described in the Prospectus.

(iii) The information in the Prospectus under the headings, "Summary", "The Republic of Korea", "The Securities Markets of Korea", "Risk Factors and Special Considerations" and "Taxation", insofar as they relate to matters of law or regulations of Korea or legal conclusions based thereon, has been reviewed by such counsel and (a) is a fair and accurate description of the laws of Korea or legal conclusions thereunder applicable to the Fund and the operation of its business as described in the Prospectus and (b) at the time the Registration Statement became effective and at Closing Time, such information did not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements therein not misleading.

(iv) No stamp duty or other documentary tax is payable in Korea in respect of the execution, delivery or performance of this Agreement, the International Underwriting Agreement, the Management Agreement, the Advisory Agreement, the Sub-Advisory Agreement or the Custodian Agreement when executed and delivered outside of Korea; under current laws and regulations, no stamp duty or other documentary tax will be charged on, and no other deduction will be made by any court in Korea from, the amount awarded in any judgment rendered in respect of any of the agreements referred to in this paragraph.

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(v) The choice of the laws of the State of New York to govern this Agreement and the International Underwriting Agreement and of the Commonwealth of Massachusetts to govern the Management Agreement, the Advisory Agreement, the Sub-Advisory Agreement and the Custodian Agreement is in each case a valid choice of law under the laws of Korea and accordingly would be applied by the courts of Korea if any such agreement or any claim made thereunder is or are brought before such court upon proof of the relevant provisions of United States laws and provided that such provisions are not contrary to the public policy of Korea.

(vi) To the best knowledge of such counsel, there is in Korea no pending or threatened action, suit, investigation or proceeding before any court or governmental agency, authority or body or any arbitrator involving or affecting the Fund or questioning the validity of any of this Agreement, the International Underwriting Agreement, the Management Agreement, the Advisory Agreement, the Sub-Advisory Agreement or the Custodian Agreement.

(vii) It is not necessary, by reason of the entry into or performance of this Agreement, the International Underwriting Agreement, the Management Agreement, the Advisory Agreement, the Sub-Advisory Agreement or the Custodian Agreement that any of the parties thereto be licensed or qualified or otherwise authorized to do business in Korea and the entry into or performance of such agreement by any such party will not, to the best of its knowledge, violate any applicable law, rule or regulation of Korea or any government or any agency thereof, in each case so long as such parties enter into and perform such agreements outside of Korea.

(j) You shall have received on the Closing Date an opinion, dated the Closing Date, of Simpson Thacher & Bartlett, counsel for the Underwriters, as to certain of the matters referred to in clauses (i), (iv), (vii), (x), (xiii), (xiv) (but only with respect to the statements under the captions "Description of Capital Stock" and "Underwriting") and (xvi) of paragraph (e). In giving such opinion with respect to the matters covered by clause (xvii) such counsel may state that their opinion and belief are based upon their participation in the preparation of the Registration Statement and Prospectus and any amendments or supplements thereto and review and discussion of the contents thereof, but are without independent check or verification except as specified.

The opinions of counsel described in paragraphs (e) through (i) above shall be rendered to you at the request of the

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Fund, and shall so state therein. In giving their opinions, such counsel may rely, among other things, as to matters involving the laws of the State of Maryland, upon the opinion of Piper & Marbury. Such counsel also may rely, (i) as to the qualification of the Fund to do business in any state or jurisdiction, upon certificates of appropriate government officials, and (ii) as to matters of fact, upon certificates and written statements of officers and employees of and accountants for the Fund and of public officials.

(k) You shall have received a letter on and as of the Closing Date, in form and substance satisfactory to you, from Price Waterhouse LLP, independent public accountants, with respect to the financial statements and certain financial information contained in the Registration Statement and the Prospectus and substantially in the form and substance of the letter delivered to you by Price Waterhouse LLP on the date of this Agreement.

(l) The Fund shall not have failed at or prior to the Closing Date to perform or comply with any of the agreements herein contained and required to be performed or complied with by the Fund at or prior to the Closing Date.

The several obligations of the U.S. Underwriters to purchase Additional U.S. Shares hereunder are subject to the satisfaction of the conditions in paragraphs (a) through (l) above, except that the certificates called for in paragraphs (c) and (d), the opinions called for in paragraphs (e) though (i) and the letter called for in paragraph (k) shall be revised to reflect the sale of the Additional U.S. Shares and dated the Option Closing Date.

14. Effective Date of Agreement and Termination. This Agreement shall become effective upon the later of (i) execution of this Agreement and (ii) when notification of the effectiveness of the Registration Statement has been released by the Commission.

This Agreement may be terminated at any time prior to the Closing Date by you by written notice to the Fund if any of the following has occurred: (i) since the respective dates as of which information is given in the Registration Statement and the Prospectus, any adverse change or development involving a prospective adverse change in the condition, financial or otherwise, of the Fund, the Investment Manager, the Investment Adviser or the Sub-Adviser or the earnings, affairs, or business prospects of the Fund, the Investment Manager, the Investment Adviser or the Sub-Adviser, whether or not arising in the ordinary course of business, which would, in your judgment, make it impracticable to market the Shares on the terms and in the manner contemplated in the Prospectus, (ii) any outbreak or escalation of hostilities or other national or international calamity or crisis or change in economic conditions or in the

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financial markets of the United States, Korea or elsewhere that, in your judgment, is material and adverse and would, in your judgment, make it impracticable to market the Shares on the terms and in the manner contemplated in the Prospectus, (iii) the suspension or material limitation of trading in securities on the New York Stock Exchange, the American Stock Exchange or the Korea Stock Exchange, or the NASDAQ National Market System or limitation on prices for securities on any such exchange or National Market System, (iv) the enactment, publication, decree or other promulgation of any federal or state statute, regulation, rule or order of any court or other governmental authority which in your opinion materially and adversely affects, or will materially and adversely affect, the business or operations of the Fund, (v) the declaration of a banking moratorium by either federal, New York State or Korean authorities and (vi) the taking of any action by any federal, state or local government or agency in respect of its monetary or fiscal affairs which in your opinion has a material adverse effect on the financial market in the United States or Korea.

If this Agreement is terminated pursuant to this Section 14, (or the International Underwriting Agreement is terminated pursuant to Section 14 thereof) each of the parties hereto will pay its own expenses, and the agreements contained in Section 12 shall survive such termination.

If on the Closing Date or on an Option Closing Date, as the case may be, any one or more of the U.S. Underwriters shall fail or refuse to purchase the U.S. Firm Shares or Additional U.S. Shares, as the case may be, which it or they have agreed to purchase hereunder on such date and the aggregate number of U.S. Firm Shares or Additional U.S. Shares, as the case may be, which such defaulting U.S. Underwriter or U.S. Underwriters, as the case may be, agreed but failed or refused to purchase is not more than one-tenth of the total number of U.S. Shares to be purchased on such date by all U.S. Underwriters, then (i) if on the Closing Date, each non-defaulting U.S. Underwriter shall be obligated severally, in the proportion which the number of U.S. Firm Shares set forth opposite its name in Schedule I bears to the total number of U.S. Firm Shares which all the non-defaulting U.S. Underwriters have agreed to purchase, or in such other proportion as you may specify, to purchase the U.S. Firm Shares which such defaulting U.S. Underwriter or U.S. Underwriters, as the case may be, agreed but failed or refused to purchase on such date or (ii) if on an Option Closing Date, each non-defaulting U.S. Underwriter shall be obligated, severally, in the proportion in which the number of U.S. Firm Shares set forth opposite its name in Schedule I bears to the total number of U.S. Firm Shares which all the non-defaulting U.S. Underwriters have agreed to purchase, or in such other proportion as you may specify, to purchase the Additional U.S. Shares; provided that in no event shall the number of U.S. Firm Shares or Additional U.S. Shares, as the case may be, which any U.S. Underwriter has agreed to purchase pursuant to Section 2 hereof be increased pursuant to this

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Section 14 by an amount in excess of one-ninth of such number of U.S. Firm Shares or Additional U.S. Shares, as the case may be, without the written consent of such U.S. Underwriter. If on the Closing Date or on an Option Closing Date, as the case may be, any U.S. Underwriter or U.S. Underwriters shall fail or refuse to purchase U.S. Firm Shares, or Additional U.S. Shares, as the case may be, and the aggregate number of U.S. Firm Shares or Additional U.S. Shares, as the case may be, with respect to which such default occurs is more than one-tenth of the aggregate number of U.S. Shares to be purchased on such date by all U.S. Underwriters and arrangements satisfactory to you and the Fund for purchase of such U.S. Shares are not made within 48 hours after such default, this Agreement will terminate without liability on the part of any non-defaulting U.S. Underwriter and the Fund. In any such case which does not result in termination of this Agreement, either you or the Fund shall have the right to postpone the Closing Date or the Option Closing Date, as the case may be, but in no event for longer than seven days, in order that the required

changes, if any, in the Registration Statement and the Prospectus or any other documents or arrangements may be effected. Any action taken under this paragraph shall not relieve any defaulting U.S. Underwriter from liability in respect of any default of any such U.S. Underwriter under this Agreement.

15. Miscellaneous. Notices given pursuant to any provision of this Agreement shall be addressed as follows: (a) if to the Fund, to Fidelity Advisor Korea Fund, Inc., 82 Devonshire Street, Boston, Massachusetts 02109, Attention: Arthur Loring, Esq., (b) if to any Underwriter or to you, to you c/o Baring Securities, Inc., 667 Madison Avenue, New York, New York 10021, Attention: Mr. Andrew Norris, or in any case to such other address as the person to be notified may have requested in writing.

The respective indemnities, contribution agreements, representations, warranties and other statements of the Fund, its officers and directors, the Investment Manager, the Investment Adviser, and the Sub-Adviser and of the several U.S. Underwriters set forth in or made pursuant to this Agreement shall remain operative and in full force and effect, and will survive delivery of and payment for the U.S. Shares, regardless of (i) any investigation, or statement as to the results thereof, made by or on behalf of any U.S. Underwriter or by or on behalf of the Fund, the officers or directors of the Fund, the Investment Manager, the Investment Adviser or the Sub-Adviser (ii) acceptance of the U.S. Shares and payment for them hereunder and (iii) termination of this Agreement.

If this Agreement shall be terminated by the U.S. Underwriters because of any failure or refusal on the part of the Fund, the Investment Manager, the Investment Adviser or the Sub-Adviser to comply with the terms or to fulfill any of the conditions of this Agreement, each of the Fund, the Investment Manager, the Investment Adviser and the Sub-Adviser, jointly and

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severally, agree to reimburse the several U.S. Underwriters for all out-of-pocket expenses (including the fees and disbursements of counsel) reasonably incurred by them.

Except as otherwise provided, this Agreement has been and is made solely for the benefit of and shall be binding upon the Fund, the Investment Manager, the Investment Adviser, the Sub-Adviser and the U.S. Underwriters, any controlling persons referred to herein and their respective successors and assigns, all as and to the extent provided in this Agreement, and no other person shall acquire or have any right under or by virtue of this Agreement. The term "successors and assigns" shall not include a purchaser of any of the U.S. Shares from any of the several U.S. Underwriters merely because of such purchase.

This Agreement shall be governed and construed in accordance with the laws of the State of New York.

This Agreement may be signed in various counterparts which together shall constitute one and the same instrument.

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Please confirm that the foregoing correctly sets forth the agreement among the Fund, the Investment Manager, the Investment Adviser, the Sub-Adviser and the several U.S. Underwriters.

Very truly yours,

FIDELITY ADVISOR KOREA FUND, INC.

By

Title:

FIDELITY MANAGEMENT & RESEARCH
COMPANY

By

Title:

FIDELITY INTERNATIONAL
INVESTMENT ADVISORS

By

Title:

FIDELITY INVESTMENTS JAPAN LIMITED

By

Title:

BARING SECURITIES INC.
DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION
DILLON, READ & CO. INC.
COWEN & COMPANY
LEGG MASON WOOD WALKER, INCORPORATED
RAUSCHER PIERCE REFSNES, INC.
RAYMOND JAMES & ASSOCIATES, INC.

Acting severally on behalf of
themselves and the several
U.S. Underwriters named in
Schedule I hereto

By: BARING SECURITIES INC.

By

Name:
Title:

SCHEDULE I

<TABLE>
<CAPTION>

U.S. Underwriters	Number of U.S. Firm Shares to be Purchased
<S>	<C>
Baring Securities Inc.	
Donaldson, Lufkin & Jenrette Securities Corporation	
Dillon, Read & Co. Inc.	
Cowen & Company	
Legg Mason Wood Walker, Incorporated	
Rauscher Pierce Refsnes, Inc.	
Raymond James & Associates, Inc.	

Total . . . . . .

</TABLE>

SCHEDULE II

Formulas for Calculation
of Sales Incentive Fee

If the Underwriter has sold between 250,000 and 1,499,999 Shares, inclusive:

Number of Shares which have been credited to the Underwriter	x	$15.00	x	0.15%

If the Underwriter has sold between 1,500,000 and 3,499,999 Shares, inclusive:

Number of Shares which have been credited to the Underwriter	x	$15.00	x	0.25%

If the Underwriter has sold 3,500,000 or more Shares:

Number of Shares which have been credited to the Underwriter	x	$15.00	x	0.30%

DRAFT 10/21/94

_____ Shares

FIDELITY ADVISOR
KOREA FUND, INC.

Common Stock

INTERNATIONAL UNDERWRITING AGREEMENT

October __, 1994

BARING BROTHERS & CO., LIMITED
DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION
LUCKY SECURITIES INTERNATIONAL LTD.
SSANGYONG SECURITIES EUROPE LIMITED
COWEN & COMPANY
KDB SECURITIES CO., LTD.
As representatives of the
several underwriters
named in Schedule I hereto
c/o Baring Brothers & Co., Limited
1 America Square
London EC3N 2LT, England

Dear Sirs:

Fidelity Advisor Korea Fund, Inc., a Maryland corporation (the "Fund"), Fidelity Management & Research Company, a Massachusetts corporation (the "Investment Manager"), Fidelity International Investment Advisors, a Bermuda corporation (the "Investment Adviser") and Fidelity Investments Japan Limited, a Japanese corporation (the "Sub-Adviser"), each confirms that the Fund proposes to issue and sell to the several underwriters named in Schedule I hereto (the "International Managers") an aggregate of _____ shares of its Common Stock, par value $0.001 per share ("Common Stock") for offer and sale to non-U.S. and non-Canadian investors outside the United States and Canada. The _____ shares of Common Stock to be issued and sold by the Fund are hereinafter called the International Shares.

It is understood that the Fund, the Investment Manager, the Investment Adviser and the Sub-Adviser are concurrently entering into an agreement dated the date hereof (the "U.S. Underwriting Agreement") providing for the offering by the Fund of _____ shares of Common Stock (the "U.S. Firm Shares") through arrangements with certain underwriters in the United States (the "U.S. Underwriters") for which Baring Securities Inc., Donaldson, Lufkin & Jenrette Securities Corporation, Dillon, Read & Co. Inc., Cowen & Company, Legg Mason Wood Walker, Incorporated, Rauscher Pierce Refsnes, Inc. and Raymond James &

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Associates, Inc. are acting as representatives (the "U.S. Representatives") and the grant by the Fund to the U.S. Underwriters of an option to purchase all or any part of the U.S. Underwriters' pro rata portion of the option shares (the "Additional U.S. Shares") to cover over-allotments.

It is understood that the Fund is not obligated to sell, and the International Managers are not obligated to purchase, any International

Shares unless all of the U.S. Firm Shares are contemporaneously purchased by the U.S. Underwriters. The International Managers and the U.S. Underwriters are hereinafter collectively called the "Underwriters". The International Shares and the U.S. Firm Shares are hereinafter collectively called the "Firm Shares", the U.S. Firm Shares and the Additional U.S. Shares are hereinafter called the "U.S. Shares" and the International Shares and the U.S. Shares are hereinafter collectively called the "Shares".

The Fund understands that the International Managers and the U.S. Underwriters will concurrently enter into an Agreement Between the U.S. Underwriters and International Managers of even date herewith (the "Agreement Between") providing for the coordination of certain transactions among the International Managers and the U.S. Underwriters under your direction. Baring Securities Inc. and Donaldson, Lufkin & Jenrette Securities Corporation are the Global Coordinators of the Offerings.

1. Registration Statement, Prospectus and Offering Circular. The Fund has prepared and filed with the Securities and Exchange Commission (the "Commission") in accordance with the provisions of the Securities Act of 1933, as amended, and the rules and regulations of the Commission thereunder (collectively called the "Act") and the Investment Company Act of 1940, as amended, and the rules and regulations of the Commission thereunder (collectively called the "1940 Act", and together with the Act, the "Acts"), a registration statement on Form N-2 (Nos. 33-81186 and 811-8608) including a prospectus relating to U.S. Shares, which may be amended. In addition, a notification of registration on Form N-8A (the "Notification") has been filed by the Fund with the Commission under the 1940 Act. The registration statement as amended at the time when it becomes effective, including information (if any) deemed to be part of the registration statement at the time of effectiveness pursuant to Rule 430A under the Act, is hereinafter referred to as the Registration Statement; and the prospectus in the form first used to confirm sales of U.S. Shares is hereinafter referred to as the Prospectus.

The Fund also has prepared an offering circular relating to the International Shares which may be amended. The offering circular in the form first used to confirm sales of International Shares is hereinafter referred to as the Offering Circular.

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2. Agreements to Sell and Purchase. The Fund hereby agrees to issue and sell the International Shares to the several International Managers and each of the International Managers, upon the basis of the representations and warranties contained in this Agreement, and subject to its terms and conditions, agrees, severally and not jointly, to purchase from the Fund at a price per share of $__ (the "Purchase Price"), the respective number of International Shares set forth opposite the name of such International Manager in Schedule I hereto.

The Fund hereby agrees that it will not, for a period of 180 days following the date the Registration Statement becomes effective, without the prior written consent of Baring Brothers & Co., Limited, offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, any shares of Common Stock (other than pursuant to the Fund's Dividend Reinvestment and Cash Purchase Plan).

3. Terms of Public Offering. The Fund is advised by you that the International Managers propose to make a public offering of their respective portions of the International Shares upon the terms set forth in the Offering Circular.

4. Delivery and Payment. Delivery to the International Managers of and payment for the International Shares shall be made at 10:00 A.M., New York City time, on the fifth business day (the "Closing Date") following the date of the initial public offering, at the office of Simpson Thacher & Bartlett, 425 Lexington Avenue, New York, New York 10017. The Closing Date and the location of delivery of and the form of payment for the International Shares may be varied by agreement between you and the Fund.

Certificates for the International Shares shall be registered in such names and issued in such denominations as you shall request in writing not later than two-full business days prior to the Closing Date. Such certificates shall be made available to you for inspection not later than 9:30 A.M., New York City time, on the business day next preceding the Closing Date. Certificates in definitive form evidencing the International Shares shall be delivered to you on the Closing Date with any transfer taxes thereon duly paid by the Fund, for the respective accounts of the several International Managers, against payment of the Purchase Price therefor by certified or official bank checks payable in New York Clearing House (next day) funds to the order of the Fund.

5. Agreements of the Fund. The Fund agrees with you:

(a) At any time during the period specified in paragraph (c), to advise you promptly and, if requested by you, to confirm such advice in writing, (i) of the application for and the issuance of any order exempting the Fund from any provisions of the 1940 Act, (ii) of the

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initiation of any proceeding for the suspension of qualification of the Shares for offering or sale in any jurisdiction, (iii) of the happening of any event during the period referred to in paragraph (c) below which makes any statement of a material fact made in the Offering Circular untrue or which requires the making of any additions to or changes in the Offering Circular in order to make the statements therein not misleading.

(b) During the period specified in paragraph (c), not make any amendment or supplement to the Offering Circular of which you shall not previously have been advised or to which you shall reasonably object.

(c) From time to time for such period as in the opinion of counsel for the International Managers an offering circular or prospectus is required by law to be delivered in connection with sales by an International Manager or a dealer, to furnish to each International Manager and dealer as many copies of the Offering Circular and the Prospectus (and of any amendment or supplement to the Offering Circular or the Prospectus) as such International Manager or dealer may reasonably request.

(d) If during the period specified in paragraph (c) any event shall occur as a result of which, in the opinion of counsel for the International Managers it becomes necessary to amend or supplement the Offering Circular in order to make the statements therein, in the light of the circumstances when the Offering Circular is delivered to a purchaser, not misleading, or if it is necessary to amend or supplement the Offering Circular to comply with any applicable law, forthwith to prepare an appropriate amendment or supplement to the Offering Circular so that the statements in the Offering Circular, as so amended or supplemented, will not in the light of the circumstances when it is so delivered, be misleading, or so that the Offering Circular will comply with law, and to furnish to each International Manager and to such dealers as you shall specify, such number of copies thereof as such International Manager or dealers may reasonably request.

(e) The Fund will make generally available to its security holders as soon as reasonably practicable an earnings statement which need not be audited covering a period of at least twelve months after the date hereof and to advise you in writing when such statement has been so made available.

(f) To furnish to you as soon as available a copy of each report or other publicly available information of the Fund mailed to

the holders of Common Stock and such other publicly available information concerning the Fund as you may reasonably request.

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(g) To pay all costs, expenses, fees and taxes incident to (i) the preparation, printing and distribution of the Offering Circular (including financial statements and exhibits), each preliminary offering circular and all amendments and supplements to any of them prior to or during the period specified in paragraph (c), (ii) the printing and delivery of this Agreement, the U.S. Underwriting Agreement, the Agreement Between and all other agreements, memoranda, correspondence and other documents printed and delivered in connection with the offering of the International Shares (including in each case any disbursements of counsel for the Underwriters relating to such printing and delivery), (iii) filings and clearance with the National Association of Securities Dealers, Inc. in connection with the offering, (iv) the listing of the Shares on the New York Stock Exchange (the "NYSE"), (v) the preparation, printing and distribution of advertising and sales material used in connection with the offering of the Shares, including the expenses of printing and delivery to the Underwriters of any Omitting Prospectus (as defined below) and the costs of preparing, printing and distributing "internal use only" materials prepared on behalf of the Fund and not distributed to the public, (vi) furnishing such copies of the Offering Circular and all amendments and supplements thereto as may be requested for use in connection with the offering or sale of the International Shares by the International Managers or by dealers to whom International Shares may be sold and such copies of the Prospectus and all amendments and supplements thereto as may be requested for use in any resales of the Shares into the United States and (vii) the performance by the Fund of its other obligations under this Agreement. In the event the transactions contemplated herein are not consummated, the Investment Manager will pay all the costs, expenses, fees and taxes set forth above that the Fund would have paid if such transactions were consummated.

(h) To apply the net proceeds from the sale of the Shares in accordance with the description set forth in the Offering Circular under "Use of Proceeds".

(i) To use its best efforts to do and perform all things required or necessary to be done and performed under this Agreement by the Fund prior to the Closing Date and to satisfy all conditions precedent to the delivery of the International Shares.

(j) To use its best efforts to maintain its qualification as a regulated investment company under Subchapter M of the U.S. Internal Revenue Code of 1986, as amended ("Subchapter M").

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6. Agreement of the Investment Manager, Investment Adviser and the Sub-Adviser. Each of the Investment Manager, the Investment Adviser and the Sub-Adviser agrees with you that for a period of 180 days from the date of the Offering Circular, not to act, without your prior written consent, as investment adviser to any other newly formed or existing closed-end investment company registered under the 1940 Act investing 65% or more of its total assets in securities of Korean Issuers (as defined in the Offering Circular).

7. Agreement of the Investment Manager. The Investment Manager agrees to pay each of the International Managers a sales incentive fee equal to 0.15% of all Shares such International Manager sells if it sells between 250,000 Shares and 1,499,999 Shares, inclusive, 0.25% of all Shares such International Manager if it sells between 1,500,000 Shares and 3,499,999

Shares, inclusive, and 0.30% of all Shares such International Manager sells if it sells 3,500,000 or more Shares computed according to the formulas set forth in Schedule II hereto. Such sales incentive fee will be paid at the highest rate achieved in respect of all Shares sold by such International Manager. The sales incentive fee shall be payable on the Closing Date.

8. Representations and Warranties of the Fund, the Investment Manager, the Investment Adviser and the Sub-Adviser. The Fund, the Investment Manager, the Investment Adviser and the Sub-Adviser each severally represents and warrants to each International Manager that:

(a) The Fund is a duly organized, validly existing corporation in good standing under the laws of the State of Maryland and has the corporate power to own, lease and operate its properties and the authority required to carry on its business as described in the Offering Circular and to issue and sell the Shares as contemplated in this Agreement and the U.S. Underwriting Agreement, and is duly qualified and is in good standing as a foreign corporation authorized to do business in each jurisdiction in which the nature of its business or its ownership or leasing of property requires such qualification, except where the failure to be so qualified would not have a material adverse effect on the Fund. The Fund has no subsidiaries.

(b) The Fund is duly registered with the Commission under the 1940 Act as a closed-end, non-diversified management investment company and the operations of the Fund, as described in the Offering Circular, are in compliance in all material respects with all applicable laws, rules, regulations, orders and similar requirements and no order of suspension or revocation of such registration has been issued or proceedings therefor initiated or threatened by the Commission.

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(c) All of the outstanding shares of capital stock of the Fund have been duly authorized and validly issued and are fully paid and non-assessable with no personal liability attaching to the ownership thereof and are not subject to any preemptive or similar rights; and the Shares to be issued and sold by the Fund hereunder and under the U.S. Underwriting Agreement, have been duly authorized and, when issued and delivered to the Underwriters against payment therefor as provided by this Agreement and the U.S. Underwriting Agreement, will be validly issued, fully paid and non-assessable with no personal liability attaching to ownership thereof, and the issuance of such Shares will not be subject to any preemptive or similar rights; the Fund has not granted to any person any right to require registration of shares of Common Stock or any other security of the Fund.

(d) The authorized, issued and outstanding capital stock of the Fund conforms in all material respects to the description thereof contained in the Offering Circular.

(e) The Fund has full corporate power and authority to enter into and perform its obligations under this Agreement, the U.S. Underwriting Agreement, the Investment Management Agreement between the Fund and the Investment Manager (the "Management Agreement"), the Investment Advisory Agreement among the Fund, the Investment Manager and the Investment Adviser (the "Advisory Agreement"), the Sub-Advisory Agreement among the Fund, the Investment Adviser and the Sub-Adviser (the "Sub-Advisory Agreement"), the Custodial Services Agreement between the Fund and The Chase Manhattan Bank, N.A. (the "Custodian Agreement"), the Sub-Custodian Agreement among the Fund, The Chase Manhattan Bank, N.A. and The Hong Kong and Shanghai Banking Corporation (the "Sub-Custodian Agreement") and the Transfer Agency Services Agreement between the Fund and State Street Bank and Trust Company (the "Transfer Agency Agreement") (the Management Agreement, the Advisory Agreement, the Sub-Advisory Agreement, the Custodian Agreement, the Sub-Custodian Agreement and the Transfer Agency

Agreement are collectively referred to herein as the "Fund Agreements").

(f) The Fund is not in violation of its charter or by-laws or in default in the performance of any obligation, agreement, covenant or condition contained in any bond, debenture, note or any other evidence of indebtedness or contained in any other contract, agreement, mortgage, lease, indenture or instrument material to the conduct of the business of the Fund, to which the Fund is a party or by which it or its property is bound.

(g) This Agreement, the U.S. Underwriting Agreement and the Fund Agreements have each been duly authorized by all requisite corporate action on the part of the Fund and have been validly executed and delivered by the Fund and

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each complies in all material respects with all applicable provisions of the 1940 Act. Assuming due authorization, execution and delivery by the other parties thereto, each of the Fund Agreements constitutes a valid and binding agreement of the Fund, enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equity principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(h) The execution, delivery and performance of this Agreement, the U.S. Underwriting Agreement and the Fund Agreements, compliance by the Fund with all the provisions hereof and thereof and the consummation of the transactions contemplated hereby and thereby will not (A) violate the articles of incorporation or by-laws of the Fund, or (B) conflict with or constitute a breach of any of the terms or provisions of or a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Fund, pursuant to any contract, agreement, note, bond, debenture, mortgage, lease, indenture or other instrument to which the Fund is a party or by which the Fund's property is bound, or (C) violate or conflict with any statutes, laws, regulations or rulings to which the Fund or any of its property may be subject or any judgment, injunction, decree or order of any court or governmental agency or authority entered in any proceeding to which the Fund was or is now a party or by which the Fund or any of its property is bound, or (D) require any consent, approval, authorization or other order of or registration or filing with, any court, regulatory body, administrative agency or other governmental body (except such as have been duly obtained and such as may be required under the securities or Blue Sky laws of those United States and Canadian jurisdictions in which the U.S. Shares will be offered or sold).

(i) There are no legal or governmental proceedings pending to which the Fund is a party or of which any of its property is the subject, which could reasonably be expected to have a material adverse effect on the business or financial position of the Fund or which questions the performance by the Fund of this Agreement, the U.S. Underwriting Agreement or the Fund Agreements and, to the best of the Fund's knowledge, no such proceedings are threatened or contemplated. There is no contract or document of a character required under the Acts to be described in the Registration Statement or the Prospectus or to be filed as an exhibit to the Registration Statement that is not so described or filed as required.

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(j) Since the dates as of which information is given in

the Offering Circular, except as otherwise stated therein or contemplated thereby, there has not been (a) any material adverse change in the condition (financial or otherwise), earnings, business affairs or business prospects of the Fund or (b) any transaction entered into by the Fund, other than in the ordinary course of business, that is material to the Fund.

(k) Each of this Agreement, the U.S. Underwriting Agreement and the Fund Agreements has been approved by the initial sole shareholder of the Fund and the Board of Directors of the Fund to the extent and in the manner required by the 1940 Act.

(l) The Fund maintains insurance of the types and at the levels required by the 1940 Act.

(m) Price Waterhouse LLP, the accountants who audited the statement of assets and liabilities included in the Registration Statement, the Prospectus and the Offering Circular are independent public accountants with respect to the Fund as required by the Act.

(n) The statement of assets and liabilities set forth in the Offering Circular (and any amendment or supplement thereto), presents fairly in all material respects, the financial position of the Fund as of the date indicated in conformity with generally accepted accounting principles.

(o) The Fund has the license to use, for so long as the Investment Manager or an affiliate of the Investment Manager is the investment manager of the Fund, adequate trademarks, service marks and trade names necessary to conduct its business as described in the Offering Circular, and the Fund has not received any notice of infringement of or conflict with asserted rights of others with respect to any trademarks, service marks or trade names which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would materially adversely affect the conduct of the business, operations, financial condition or income of the Fund.

(p) The Fund intends to direct the investment of the proceeds of the offering described in the Offering Circular in such a manner as to comply with the requirements of Subchapter M and intends to qualify as a regulated investment company under Subchapter M of the Code.

(q) The Shares have been approved for listing subject to official notice of issuance, on the New York Stock Exchange.

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(r) The advertising and sales literature approved by the Fund for use in connection with the public offering and sale of the Shares pursuant to Rule 482 under the rules and regulations under the Acts and filed by the Fund with the NASD for review in accordance with Rule 497(i) under the rules and regulations under the Acts (an "Omitting Prospectus") complies in all material respects with the requirements of the Acts, and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, such circumstances including the fact that in accordance with Rule 482 certain information included in the Prospectus has been omitted from advertising and sales literature.

(s) The advertising and sales literature, if any, approved by the Fund for use in connection with the public offering and sale of the Shares pursuant to Rule 134 under the rules and regulations under the Act and filed by the Fund with the NASD for review complies in all material respects with the requirements of the Acts.

9. Representations and Warranties of the Investment Manager. The Investment Manager represents and warrants to each International Manager that:

(a) The Investment Manager is a duly organized, validly existing corporation in good standing under the laws of the Commonwealth of Massachusetts and has the corporate power and authority to own, lease and operate its properties and to carry on its business as described in the Offering Circular and is duly qualified and is in good standing as a foreign corporation authorized to do business in each jurisdiction in which the nature of its business or its ownership or leasing of property requires such qualification except where the failure to be so qualified would not have a material adverse effect on the Investment Manager.

(b) The Investment Manager is duly registered with the Commission as an investment adviser under the Advisers Act of 1940, as amended (the "Advisers Act") and is not prohibited by the Advisers Act or the 1940 Act from acting under this Agreement, the U.S. Underwriting Agreement, the Management Agreement or the Advisory Agreement as contemplated by the Offering Circular; and is in compliance in all material respects with all applicable laws, rules, regulations, orders and similar requirements and no order of suspension or revocation, of such registration has been issued or proceedings therefore initiated or threatened by the Commission.

(c) The description of the Investment Manager in the Offering Circular is true and correct and does not contain

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any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading.

(d) The Investment Manager has full corporate power and authority to enter into and perform its obligations under this Agreement, the U.S. Underwriting Agreement, the Management Agreement and the Advisory Agreement, respectively.

(e) This Agreement, the U.S. Underwriting Agreement, the Management Agreement and the Advisory Agreement have each been duly authorized by all requisite corporate action on the part of the Investment Manager and have been validly executed and duly delivered by the Investment Manager, and each complies in all material respects with all applicable provisions of the 1940 Act. Assuming due authorization, execution and delivery by the other parties thereto, each of the Management Agreement and the Advisory Agreement constitutes a valid and binding agreement of the Investment Manager enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equity principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(f) The execution, delivery and performance of this Agreement, the U.S. Underwriting Agreement, the Management Agreement and the Advisory Agreement, compliance by the Investment Manager with all the provisions hereof and thereof and the consummation of the transactions contemplated hereby and thereby will not (A) violate the articles of incorporation or by-laws of the Investment Manager, or (B) conflict with or constitute a breach of any of the terms or provisions of, or a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Investment Manager pursuant to any contract, agreement, note, bond, debenture, mortgage, lease, indenture or other instrument to which the Investment Manager is a party or by which the Investment Manager's property is bound, except where such breach or conflict would not have

a material adverse effect on the Investment Manager, or (C) violate or conflict with any statutes, laws, regulations or rulings to which the Investment Manager or any of its property may be subject or any judgment, injunction, decree or order of any court or governmental agency or authority entered in any proceeding to which the Investment Manager was or is now a party or by which the Investment Manager or any of its property is bound, except where such violation or conflict would not have a material adverse effect on the Investment Manager, or (D) require any consent, approval, authorization or other

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order of or registration or filing with, any court, regulatory body, administrative agency or other governmental body (except such as have been duly obtained and such as may be required under the securities or Blue Sky laws of those United States and Canadian jurisdictions in which the U.S. Shares will be offered or sold).

(g) There are no legal or governmental proceedings pending to which the Investment Manager is a party or to which any of its property is subject, which could reasonably be expected to have a material adverse effect on the business or financial position of the Fund or the Investment Manager, or which questions the performance by the Investment Manager under this Agreement, the U.S. Underwriting Agreement, the Management Agreement or the Advisory Agreement and, to the best of the Investment Manager's knowledge, no such proceedings are threatened or contemplated.

(h) The Investment Manager has the financial resources available to it reasonably necessary for the performance of it services and obligations as contemplated in the Offering Circular.

10. Representations and Warranties of the Investment Adviser. The Investment Adviser represents and warrants to each International Manager that:

(a) The Investment Adviser is a duly organized, validly existing corporation in good standing under the laws of Bermuda and has the corporate power and authority to own, lease and operate its properties and the authority to carry on its business as described in the Offering Circular and is duly qualified and is in good standing as a foreign corporation authorized to do business in each jurisdiction in which the nature of its business or its ownership or leasing of property requires such qualification except where the failure to be so qualified would not have a material adverse effect on the Investment Adviser.

(b) The Investment Adviser is duly registered with the Commission as an investment adviser under the Advisers Act and is not prohibited by the Advisers Act or the 1940 Act from acting under this Agreement, the U.S. Underwriting Agreement, the Advisory Agreement or the Sub-Advisory Agreement as contemplated by the Offering Circular; and is in compliance in all material respects with all applicable laws, rules, regulations, orders and similar requirements and no order of suspension or revocation of such registration has been issued or proceedings therefor initiated or threatened by the Commission.

(c) The description of the Investment Adviser in the Offering Circular is true and correct and does not contain

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any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading.

(d) The Investment Adviser has full corporate power and authority to enter into and perform its obligations under this Agreement, the U.S. Underwriting Agreement, the Advisory Agreement and the Sub-Advisory Agreement, respectively.

(e) This Agreement, the U.S. Underwriting Agreement, the Advisory Agreement and the Sub-Advisory Agreement have each been duly authorized by all requisite corporate action on the part of the Investment Adviser and have been validly executed and duly delivered by the Investment Adviser, and each complies in all material respects with all applicable provisions of the 1940 Act. Assuming due authorization, execution and delivery by the other parties thereto, each of the Advisory Agreement and the Sub-Advisory Agreement constitutes a valid and binding agreement of the Investment Adviser enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equity principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(f) The execution, delivery and performance of this Agreement, the U.S. Underwriting Agreement, the Advisory Agreement and the Sub-Advisory Agreement, compliance by the Investment Adviser with all the provisions hereof and thereof and the consummation of the transactions contemplated hereby and thereby will not (A) violate the articles of incorporation or by-laws of the Investment Adviser, or (B) conflict with or constitute a breach of any of the terms or provisions of, or a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Investment Adviser pursuant to any contract, agreement, note, bond, debenture, mortgage, lease, indenture or other instrument to which the Investment Adviser is a party or by which the Investment Adviser's property is bound, except where such breach or conflict would not have a material adverse effect on the Investment Adviser, or (C) violate or conflict with any statutes, laws, regulations or rulings to which the Investment Adviser or any of its property may be subject or any judgment, injunction, decree or order of any court or governmental agency or authority entered in any proceeding to which the Investment Adviser was or is now a party or by which the Investment Adviser or any of its property is bound, except where such violation or conflict would not have a material adverse effect on the Investment Adviser, or (D) require any consent, approval, authorization or other

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order of or registration or filing with, any court, regulatory body, administrative agency or other governmental body (except such as have been duly obtained and such as may be required under the securities or Blue Sky laws of those United States and Canadian jurisdictions in which the U.S. Shares will be offered or sold).

(g) There are no legal or governmental proceedings pending to which the Investment Adviser is a party or to which its property is the subject, which could reasonably be expected to have a material adverse effect on the business or financial position of the Fund or the Investment Adviser, or which questions the performance by the Investment Adviser under this Agreement, the U.S. Underwriting Agreement, the Advisory Agreement or the Sub-Advisory Agreement and, to the best of the Investment Adviser's knowledge, no such proceedings are threatened or contemplated.

(h) The Investment Adviser has the financial resources available to it reasonably necessary for the performance of it services and obligations as contemplated in the Offering Circular.

11. Representations and Warranties of the Sub-Adviser. The Sub-Adviser represents and warrants to each International Manager that:

(a) The Sub-Adviser is a duly organized, validly existing corporation in good standing under the laws of Japan and has the corporate power and authority to own, lease and operate its properties and the authority to carry on its business as described in the Offering Circular and is duly qualified and is in good standing as a foreign corporation authorized to do business in each jurisdiction in which the nature of its business or its ownership or leasing of property requires such qualification except where the failure to be so qualified would not have a material adverse effect on the Sub-Adviser.

(b) The Sub-Adviser is duly registered with the Commission as an investment adviser under the Advisers Act and is not prohibited by the Advisers Act or the 1940 Act from acting under this Agreement, the U.S. Underwriting Agreement or the Sub-Advisory Agreement as contemplated by the Offering Circular; and is in compliance in all material respects with all applicable laws, rules, regulations, orders and similar requirements and no order of suspension or revocation of such registration has been issued or proceedings therefor initiated or threatened by the Commission.

(c) The description of the Sub-Adviser in the Offering Circular is true and correct and does not contain any untrue statement of a material fact or omit to state any material

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fact required to be stated therein or necessary in order to make the statements therein not misleading.

(d) The Sub-Adviser has full corporate power and authority to enter into and perform its obligations under this Agreement, the U.S. Underwriting Agreement and the Sub-Advisory Agreement, respectively.

(e) This Agreement, the U.S. Underwriting Agreement and the Sub-Advisory Agreement have each been duly authorized by all requisite corporate action on the part of the Sub-Adviser and have been validly executed and duly delivered by the Sub-Adviser, and each complies in all material respects with all applicable provisions of the 1940 Act. Assuming due authorization, execution and delivery by the other parties thereto and subject to registration of the Sub-Adviser under the Advisers Act, the Sub-Advisory Agreement constitutes a valid and binding agreement of the Sub-Adviser enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equity principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(f) The execution, delivery and performance of this Agreement, the U.S. Underwriting Agreement and the Sub- Advisory Agreement, compliance by the Sub-Adviser with all the provisions hereof and thereof and the consummation of the transactions contemplated hereby and thereby will not (A) violate the articles of incorporation or by-laws of the Sub- Adviser, or (B) conflict with or constitute a breach of any of the terms or provisions of, or a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Sub-Adviser pursuant to any contract, agreement, note, bond, debenture, mortgage, lease, indenture or other instrument to which the Sub-Adviser is a party or by which the Sub-Adviser's property is bound, except where such breach or conflict would not have a material adverse effect on the Sub-Adviser, or (C) violate or conflict with any statutes, laws, regulations or rulings to which the Sub-Adviser or any of its property may be subject or any judgment, injunction, decree or order of any court or governmental agency or authority entered in any proceeding to which the Sub-Adviser was or is now a party or by which the Sub-Adviser or any of its property is bound, except where such violation or conflict would not have a material adverse effect on the

Sub- Adviser, or (D) require any consent, approval, authorization or other order of or registration or filing with, any court, regulatory body, administrative agency or other governmental body (except such as have been duly obtained and such as may be required under the securities or

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Blue Sky laws of those United States and Canadian jurisdictions in which the U.S. Shares will be offered or sold).

(g) There are no legal or governmental proceedings pending to which the Sub-Adviser is a party or to which its property is the subject, which could reasonably be expected to have a material adverse effect on the business or financial position of the Fund or the Sub-Adviser, or which questions the performance by the Sub-Adviser under this Agreement, the U.S. Underwriting Agreement or the Sub-Advisory Agreement and, to the best of the Sub-Adviser's knowledge, no such proceedings are threatened or contemplated.

(h) The Sub-Adviser has the financial resources available to it reasonably necessary for the performance of it services and obligations as contemplated in the Offering Circular.

12. Indemnification. (a) The Fund, the Investment Manager, the Investment Adviser and the Sub-Adviser, jointly and severally, agree to indemnify and hold harmless each International Manager and each person, if any, who controls any International Manager within the meaning of Section 15 of the Act or Section 20 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), from and against any and all losses, claims, damages, liabilities, judgments or expenses (including reasonable legal and other expenses incurred in connection with any action, suit or proceeding or any claim asserted) caused by any untrue statement or alleged untrue statement of a material fact contained in (i) the Registration Statement, (ii) the Prospectus or the Offering Circular (each as amended or supplemented if the Fund shall have furnished any amendments or supplements thereto), (iii) any preliminary prospectus or preliminary offering circular, (iv) any Omitting Prospectus, or (v) any advertising or sales materials approved by the Fund for use by the Underwriters in connection with the offering of the Shares, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages, liabilities or judgments are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to any International Managers furnished in writing to the Fund by or on behalf of any International Manager expressly for use therein.

(b) In case any action shall be brought against any International Manager or any person controlling such International Manager, based upon any preliminary prospectus or preliminary offering circular, the Prospectus, the Offering Circular, the Registration Statement or any amendments or supplements to the foregoing documents and with respect to which indemnity may be sought against the Fund, the Investment Manager,

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the Investment Adviser or the Sub-Adviser, such International Manager shall promptly notify the parties against whom indemnification is being sought (the "indemnifying party") in writing and the indemnifying party shall assume the defense thereof, including the employment of counsel reasonably satisfactory to such indemnified party and payment of all fees and expenses. Any International Manager shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such International Manager or such controlling person unless (i) the employment of such counsel shall have been specifically authorized in writing by the indemnifying party, (ii) the indemnifying party

shall have failed to assume the defense and employ counsel or (iii) the named parties to any such action (including any impleaded parties) include both such International Manager or such controlling person and the indemnifying party and such International Manager or such controlling person shall have been advised by such counsel that there may be one or more legal defenses available to it which are different from or additional to those available to the indemnifying party (in which case the indemnifying party shall not have the right to assume the defense of such action on behalf of such International Manager or such controlling person, it being understood, however, that the indemnifying party shall not, in connection with any one such action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) for all such International Managers and controlling persons, which firm shall be designated in writing by you and that all such fees and expenses shall be reimbursed as they are incurred). None of the Fund, the Investment Manager, the Investment Adviser or the Sub-Adviser shall be liable for any settlement of any such action effected without the prior written consent of such indemnifying party but if settled with the prior written consent of such indemnifying party, or if there be a final judgment for the plaintiff in any such action or proceeding, such indemnifying party agrees to indemnify and hold harmless any International Manager and any such controlling person from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second sentence of this paragraph, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 10 business days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of

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which any indemnified party is, or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

(c) Each International Manager agrees, severally and not jointly, to indemnify and hold harmless the Fund, its directors, and its officers who sign the Registration Statement, each person, if any, who controls the Fund within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, the Investment Manager, the Investment Adviser and the Sub-Adviser, to the same extent as the foregoing indemnity from the Fund, the Investment Manager, the Investment Adviser and the Sub-Adviser to each International Manager but only with reference to information relating to any International Manager furnished to the Fund in writing by or on behalf of any International Manager through you expressly for use in the Registration Statement, Prospectus, Offering Circular or any preliminary prospectus or preliminary offering circular. In case any action shall be brought against the Fund, any of its directors and any such officer or any person controlling the Fund, the Investment Manager, Investment Adviser or the Sub- Adviser based on the Registration Statement, Prospectus, Offering Circular or any preliminary prospectus or preliminary offering circular and in respect of which indemnity may be sought against any International Manager, the International Manager shall have the rights and duties given to the Fund, the Investment Manager, the Investment Adviser and the Sub-Adviser (except that if the Fund, the Investment Manager, the Investment Adviser and the Sub-Adviser shall have assumed the defense thereof, such International Manager shall not be required to do so, but may employ separate counsel therein and participate in the defense thereof but the fees and expenses of such counsel shall be at the expense of such International Manager), and the Fund, its directors, and any such officers, the Investment Manager, Investment Adviser and the Sub-Adviser, shall have the rights and duties given to the International Manager, by Section 12(a) hereof.

(d) If the indemnification provided for in this Section 12 is unavailable to an indemnified party in respect of any losses, claims, damages, liabilities or judgments referred to therein, then each indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities and judgments (i) in such proportion as is appropriate to reflect the relative benefits received by the Fund, the Investment Manager, Investment Adviser and the Sub-Adviser on the one hand and the International Managers on the other hand from the offering of the International Shares or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Fund, the Investment

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Manager, the Investment Adviser and the Sub-Adviser on the one hand and the International Managers on the other in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or judgments, as well as any other relevant equitable considerations. The relative benefits received by the Fund, the Investment Manager, the Investment Adviser and the Sub- Adviser on the one hand and the International Managers on the other shall be deemed to be in the same proportion as the total net proceeds from the International Offering (before deducting expenses) received by the Fund determined based upon the amount of proceeds relating to the International Offering and the total underwriting discounts and commissions received by the International Managers, bear to the total price to the public of the Shares, in each case as set forth on the cover of the Offering Circular. The relative fault of the Fund, the Investment Manager, the Investment Adviser, the Sub-Adviser and the International Managers shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the Fund, the Investment Manager, the Investment Adviser, the Sub-Adviser or the International Managers and the parties relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Fund, the Investment Manager, the Investment Adviser, the Sub-Adviser and the International Managers agree that it would not be just and equitable if contribution pursuant to this Section 12(d) were determined by pro rata allocation (even if the International Managers were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages, liabilities or judgments referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 12, no International Manager shall be required to contribute any amount in excess of the amount by which the total price at which the International Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such International Manager has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The International Managers' obligations to contribute pursuant to this Section 12(d) are several in proportion to the respective number of Shares purchased by each of the International Managers hereunder and not joint.

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(e) The Fund, the Investment Manager, the Investment

Adviser and the Sub-Adviser, hereby designate the Investment Manager, 82 Devonshire Street, Boston, Massachusetts 02109, a Massachusetts corporation, as their authorized agent, upon which process may be served in any action, suit or proceeding which may be instituted in any state or federal court in the State of New York by any International Manager or person controlling an International Manager asserting a claim for indemnification or contribution under or pursuant to this Section 12, and the Fund, the Investment Manager, the Investment Adviser and the Sub-Adviser will accept the jurisdiction of such court in such action, and waives, to the fullest extent permitted by applicable law, any defense based upon lack of personal jurisdiction or venue. A copy of any such process shall be sent or given to the Fund, the Investment Manager, the Investment Adviser and the Sub-Adviser at the address for notices specified in Section 15 hereof. The Fund, the Investment Manager, Investment Adviser and the Sub-Adviser hereby irrevocably consent to the jurisdiction of the United States District Court for the Southern District of New York and/or the New York State courts in connection with any legal action against the Fund and/or the Investment Manager and/or Investment Adviser and/or the Sub-Adviser hereunder.

13. Conditions of International Managers' Obligations. The several obligations of the International Managers to purchase the International Shares under this Agreement are subject to the satisfaction of each of the following conditions:

(a) All the representations and warranties of the Fund contained in this Agreement shall be true and correct on the Closing Date with the same force and effect as if made on and as of the Closing Date.

(b) Since the date of the statement of assets and liabilities included in the Offering Circular, there shall not have been any material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, affairs or business prospects, whether or not arising in the ordinary course of business, of the Fund; on the Closing Date you shall have received a certificate dated the Closing Date, signed by J. Gary Burkhead or Gary L. French, in their capacities as the Senior Vice President and Treasurer of the Fund, confirming the matters set forth in paragraphs (a), (b), and (c) of this Section 13.

(c) All the representations and warranties of the Investment Manager, Investment Adviser and the Sub-Adviser contained in this Agreement shall be true and correct on the Closing Date with the same force and effect as if made on and as of the Closing Date and you shall have received a certificate from each of the Investment Manager, the Investment Adviser and the Sub-Adviser to such effect, dated the Closing Date, signed by the respective President and

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Chief Financial Officer of each of the Investment Manager, Investment Adviser and the Sub-Adviser.

(d) You shall have received on the Closing Date an opinion (satisfactory to you and counsel for the International Managers), dated the Closing Date, of Rogers & Wells, counsel for the Fund, to the effect that:

(i) The Fund has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Maryland.

(ii) The Fund has the corporate power to own, lease and operate its properties and the authority required to carry on its business as described in the Offering Circular and to issue and sell the Shares as contemplated in this Agreement and the U.S. Underwriting Agreement.

(iii) The Fund is duly qualified and is in good

standing as a foreign corporation authorized to do business in each jurisdiction in the United States in which the nature of its business or its ownership or leasing of property requires such qualification, except where the failure to be so qualified would not have a material adverse effect on the Fund; and the Fund has no subsidiaries.

(iv) The Fund is duly registered with the Commission under the 1940 Act as a closed-end, non-diversified, management investment company and the operations of the Fund, as described in the Offering Circular, are in compliance in all material respects with all applicable United States laws, rules, regulations, orders and similar requirements and no order of suspension or revocation of such registration has been issued or proceedings therefor initiated or threatened by the Commission.

(v) The Fund has full corporate power and authority to enter into and perform its obligations under this Agreement, the U.S. Underwriting Agreement and the Fund Agreements.

(vi) The Fund is not in violation of its charter or by-laws or in default in the performance of any obligation, agreement, covenant or condition contained in any bond, debenture, note or any other evidence of indebtedness or in any other contract, agreement, mortgage, lease, indenture or instrument material to the conduct of the business of the Fund, to which the Fund is a party or by which it or its property is bound.

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(vii) This Agreement, the U.S. Underwriting Agreement and the Fund Agreements have each been duly authorized by all requisite corporate action on the part of the Fund and have been validly executed and delivered by the Fund, and each complies in all material respects with all applicable provisions of the 1940 Act. Assuming due authorization, execution and delivery by the other parties thereto with respect to the Fund Agreements, each of the Fund Agreements constitutes a valid and binding agreement of the Fund, enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equity principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(viii) The execution, delivery and performance of this Agreement, the U.S. Underwriting Agreement and the Fund Agreements, compliance by the Fund with all the provisions hereof and thereof and the consummation of the transactions contemplated hereby and thereby will not (A) violate the articles of incorporation or by-laws of the Fund, or (B) conflict with or constitute a breach of any of the terms or provisions of, or a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Fund pursuant to any contract, agreement, note, bond, debenture, mortgage, lease, indenture or other instrument to which the Fund is a party or by which the Fund's property is bound, or (C) violate or conflict with any United States statutes, laws, regulations or rulings to which the Fund or any of its property may be subject or any judgment, injunction, decree or order of any United States court or governmental agency or authority entered in any proceeding to which the Fund or any of its property is bound, or (D) require any consent, approval, authorization or other order of or registration or filing with, any United States

court, regulatory body, administrative agency or other United States governmental body (except such as have been duly obtained and such as may be required under the securities or Blue Sky laws of those United States and Canadian jurisdictions in which the U.S. Shares will be offered or sold).

(ix) Each of this Agreement, the U.S. Underwriting Agreement and the Fund Agreements has been approved by the initial sole shareholder of the Fund and the Board of Directors of the Fund to the extent and in the manner required by the 1940 Act.

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(x) All of the outstanding shares of capital stock of the Fund have been duly authorized and validly issued and are fully paid and non-assessable with no personal liability attaching to the ownership thereof and are not subject to any preemptive or similar rights; and the Shares to be issued and sold by the Fund hereunder and under the U.S. Underwriting Agreement have been duly authorized and, when issued and delivered to the Underwriters against payment therefor as provided by this Agreement and the U.S. Underwriting Agreement, will be validly issued, fully paid and non-assessable with no personal liability attaching to ownership thereof, and the issuance of such Shares will not be subject to any preemptive or similar rights; and no holder of any security of the Fund has any right to require the registration of shares of Common Stock or any other security of the Fund.

(xi) The authorized, issued and outstanding stock of the Fund conforms in all material respects to the description thereof contained in the Offering Circular.

(xii) After due inquiry, such counsel does not know of any legal or governmental proceedings pending or threatened to which the Fund is a party or of which its property is the subject, which could reasonably be expected to have a material adverse effect on the business or financial position of the Fund or which questions the performance by the Fund of this Agreement, the U.S. Underwriting Agreement or the Fund Agreements. Such counsel does not know of any contract or document of a character required to be described in the Offering Circular.

(xiii) The statements under the captions "Management of the Fund", "Portfolio Transactions", "Dividends and Distributions; Dividend Reinvestment and Cash Purchase Plan", "Taxation" (to the extent that it constitutes matters of U.S. law), "Description of Capital Stock" and "Underwriting" in the Offering Circular insofar as such statements constitute a summary of legal matters, documents or proceedings referred to therein, fairly present the information called for with respect to such legal matters, documents and proceedings.

(xiv) The investment policies and restrictions described in the Offering Circular under the captions "Investment Objective and Policies--Other Investments--Shares of Other Investment Funds", "Additional Investment Activities" and the restrictions contained in paragraph (2) and "Affiliated Financial Institution Transactions" under the caption "Investment

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Restrictions" comply in all material respects with the requirements of the 1940 Act.

(xv) No registration under the Act of the International Shares initially being offered or sold by the International Underwriters in the International Offering is required in connection with the offer and sale of the International Shares in the manner contemplated by this Agreement, the Agreement Between and the Offering Circular (it being noted that the International Shares have been registered under the Act for sale or resale from time to time in the United States).

(xvi) (1) The Registration Statement, Prospectus and any supplements or amendments thereto (except for financial statements as to which no opinion need be expressed) comply as to form in all material respects with the Acts, and (2) such counsel believes that (except for financial statements, as aforesaid) the Registration Statement and Prospectus included therein at the time the Registration Statement became effective did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and that the Prospectus and Offering Circular, each as amended or supplemented, if applicable (except for financial statements, as aforesaid) do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(xvii) The Omitting Prospectus complies in all material respects with the requirements of the Acts, and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, such circumstances including the fact that in accordance with Rule 482 certain information included in the Prospectus has been omitted from advertising and sales literature.

(xviii) The advertising and sales literature, if any, approved by the Fund for use in connection with the public offering and sale of the Shares pursuant to Rule 134 under the rules and regulations under the Act and filed by the Fund with the NASD for review complies in all material respects with the requirements of the Acts.

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In giving such opinion with respect to the matters covered by clause (xvi) such counsel may state that their opinion and belief are based upon their participation in the preparation of the Registration Statement, Prospectus and Offering Circular and any amendments or supplements thereto and review and discussion of the contents thereof, but are without independent check or verification except as specified.

In giving such opinion with respect to the matters covered by clause (xv) such counsel may state that they have assumed (a) that the offer and sale of the International Shares will be conducted solely in the manner contemplated by this Agreement, the Agreement Between and the Offering Circular and (b) the accuracy of the respective representations and warranties of the Fund and the International Managers, and compliance with their respective covenants and agreements, set forth in this Agreement and the Agreement Between.

(e) An opinion, dated at the Closing Date, of Arthur S. Loring, Senior Vice President and General Counsel, counsel for the

Investment Manager, in form and substance satisfactory to counsel for the International Managers, to the effect that:

(i) The Investment Manager is a duly organized, validly existing corporation in good standing under the laws of the Commonwealth of Massachusetts and has the corporate power and authority to own, lease and operate its properties and to carry on its business as described in the Offering Circular.

(ii) The Investment Manager is duly qualified and is in good standing as a foreign corporation authorized to do business in each United States jurisdiction in which the nature of its business or its ownership or leasing of property requires such qualification except where the failure to be so qualified would not have a material adverse effect on the Investment Manager.

(iii) The Investment Manager is duly registered with the Commission as an investment adviser under the Advisers Act and is not prohibited by the Advisers Act or the 1940 Act from performing its obligations under this Agreement, the U.S. Underwriting Agreement, the Management Agreement or the Advisory Agreement as contemplated by the Offering Circular; and no order of suspension or revocation of such registration has been issued or proceedings therefor initiated or to such counsel's knowledge threatened by the Commission.

(iv) Such counsel believes that the description of the Investment Manager in the Offering Circular, as amended or supplemented, if applicable, is true and correct and does not contain any untrue statement of a

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material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading.

(v) The Investment Manager has full corporate power and authority to enter into and perform its obligations under this Agreement, the U.S. Underwriting Agreement, the Management Agreement and the Advisory Agreement, respectively.

(vi) This Agreement, the U.S. Underwriting Agreement, the Management Agreement and the Advisory Agreement have each been duly authorized by all requisite corporate action on the part of the Investment Manager and have been validly executed and delivered by the Investment Manager and each complies in all material respects with all applicable provisions of the 1940 Act. Assuming due authorization, execution and delivery by the other parties thereto, each of the Management Agreement and the Advisory Agreement constitutes a valid and binding agreement of the Investment Manager enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equity principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(vii) The execution, delivery and performance of this Agreement, the U.S. Underwriting Agreement, the Management Agreement and the Advisory Agreement, compliance by the Investment Manager with all the provisions hereof and thereof and the consummation of the transactions contemplated hereby and thereby will not (A) violate the articles of incorporation or by-laws of the Investment Manager, or (B)

conflict with or constitute a breach of any of the terms or provisions of, or a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Investment Manager pursuant to any contract, agreement, note, bond, debenture, mortgage, lease, indenture or other instrument to which the Investment Manager is a party or by which the Investment Manager's property is bound except where such breach or conflict would not have a material adverse effect of the Investment Manager, or (C) violate or conflict with any United States statutes, laws, regulations or rulings to which the Investment Manager or any of its property may be subject or any judgment, injunction, decree or order of any United States court or governmental agency or authority entered in any proceeding to which the Investment Manager was or is now a party or by which the

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Investment Manager or any of its property is bound, except where such violation or conflict would not have a material adverse effect on the Investment Manager, or (D) require any consent, approval, authorization or other order of or registration or filing with, any United States court, regulatory body, administrative agency or other United States governmental body (except such as have been duly obtained and such as may be required under the securities or Blue Sky laws of those United States and Canadian jurisdictions in which the U.S. Shares will be offered or sold).

(viii) After due inquiry, such counsel does not know of any legal or governmental proceedings pending to which the Investment Manager is a party or to which any of its property is the subject, which could reasonably be expected to have a material adverse effect on the business or financial position of Fund or the Investment Manager, or which questions the performance by the Investment Manager of its obligations under this Agreement, the U.S. Underwriting Agreement, the Management Agreement or the Advisory Agreement and, to the best of such counsel's knowledge after reasonable inquiry, no such proceedings are threatened or contemplated.

(f) An opinion, dated at the Closing Date, of appropriate counsel or counsels for the Investment Adviser reasonably satisfactory to the International Managers, in form and substance satisfactory to counsel for the International Managers, to the effect that:

(i) The Investment Adviser is a duly organized, validly existing in good standing under the laws of Bermuda and has the corporate power and authority to own, lease and operate its properties and authority to carry on its business as described in the Offering Circular.

(ii) The Investment Adviser is duly qualified and is in good standing as a foreign corporation authorized to do business in each jurisdiction in which the nature of its business or its ownership or leasing of property requires such qualification except where the failure to be so qualified would not have a material adverse effect on the Investment Adviser.

(iii) The Investment Adviser is duly registered with the Commission as an investment adviser under the Advisers Act and is not prohibited by the Advisers Act or the 1940 Act from performing its obligations under this Agreement, the U.S. Underwriting Agreement, the Advisory Agreement or the Sub-Advisory Agreement as contemplated by the Offering Circular; and no order of

suspension or revocation of such registration has been issued or proceedings therefor initiated or threatened by the Commission.

(iv) Such counsel believes that the description of the Investment Adviser in the Offering Circular, as amended or supplemented, if applicable, is true and correct and does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading.

(v) The Investment Adviser has full corporate power and authority to enter into and perform its obligations under this Agreement, the U.S. Underwriting Agreement, the Advisory Agreement and the Sub-Advisory Agreement, respectively.

(vi) This Agreement, the U.S. Underwriting Agreement, the Advisory Agreement and the Sub-Advisory Agreement have each been duly authorized by all requisite corporate action on the part of the Investment Adviser and have been validly executed and duly delivered by the Investment Adviser, and each complies in all material respects with all applicable provisions of the 1940 Act. Assuming due authorization, execution and delivery by the other parties thereto, each of the Advisory Agreement and the Sub-Advisory Agreement constitutes a valid and binding agreement of the Investment Adviser enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equity principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(vii) The execution, delivery and performance of this Agreement, the U.S. Underwriting Agreement, the Advisory Agreement and the Sub-Advisory Agreement, compliance by the Investment Adviser with all the provisions hereof and thereof and the consummation of the transactions contemplated hereby and thereby will not (A) violate the articles of incorporation or by-laws of the Investment Adviser, or (B) conflict with or constitute a breach of any of the terms or provisions of, or a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Investment Adviser pursuant to any contract, agreement, note, bond, debenture, mortgage, lease, indenture or other instrument to which the Investment Adviser is a party or by which the Investment Adviser's property is bound except where

such breach or conflict would not have a material adverse effect on the Investment Adviser, or (C) violate or conflict with any United States, Bermuda or Hong Kong statutes, laws, regulations or rulings to which the Investment Adviser or any of its property may be subject or any judgment, injunction, decree or order of any United States, Bermuda or Hong Kong court or governmental agency or authority entered in any proceeding to which the Investment Adviser was or is now a party or by which the Investment Adviser or any of its property is bound, except where such violation or conflict would not have a material adverse effect on the Investment Adviser, or (D) require any consent, approval, authorization or other order of or registration or filing with, any United

States, Bermuda or Hong Kong court, regulatory body, administrative agency or other governmental body (except such as have been duly obtained and such as may be required under the securities or Blue Sky laws of those United States and Canadian jurisdictions in which the U.S. Shares will be offered or sold).

(viii) After due inquiry, such counsel does not know of any legal or governmental proceedings pending to which the Investment Adviser is a party or to which its property is the subject which could reasonably be expected to have a material adverse effect on the business or financial position of the Fund or the Investment Adviser, questions the performance by the Investment Adviser of its obligations under this Agreement, the U.S. Underwriting Agreement or the Advisory Agreement and, to the best of such counsel's knowledge, no such proceedings are threatened.

(g) An opinion, dated at the Closing Date, of appropriate counsel or counsels for the Sub-Adviser reasonably satisfactory to the International Managers, in form and substance satisfactory to counsel for the International Managers, to the effect that:

(i) The Sub-Adviser is a duly organized, validly existing in good standing under the laws of Japan and has the corporate power and authority to own, lease and operate its properties and authority to carry on its business as described in the Offering Circular.

(ii) The Sub-Adviser is duly qualified and is in good standing as a foreign corporation authorized to do business in each jurisdiction in which the nature of its business or its ownership or leasing of property requires such qualification except where the failure to be so qualified would not have a material adverse effect on the Sub- Adviser.

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(iii) The Sub-Adviser is duly registered with the Commission as an investment adviser under the Advisers Act and is not prohibited by the Advisers Act or the 1940 Act from acting under this Agreement, the U.S. Underwriting Agreement or the Sub-Advisory Agreement as contemplated by the Offering Circular; and no order of suspension or revocation of such registration has been issued or proceedings therefor initiated or threatened by the Commission.

(iv) Such counsel believes that the description of the Sub-Adviser in the Offering Circular, as amended or supplemented, if applicable, is true and correct and does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading.

(v) The Sub-Adviser has full corporate power and authority to enter into and perform its obligations under this Agreement, the U.S. Underwriting Agreement and the Sub-Advisory Agreement, respectively.

(vi) This Agreement, the U.S. Underwriting Agreement and the Sub-Advisory Agreement have each been duly authorized by all requisite corporate action on the part of the Sub-Adviser and have been validly executed and duly delivered by the Sub-Adviser, and each complies in all material respects with all applicable provisions of the 1940 Act. Assuming due authorization, execution and delivery by the other parties thereto, the Sub-Advisory Agreement constitutes a valid and binding agreement of the Sub-Adviser enforceable in accordance

with its terms, subject to bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equity principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(vii) The execution, delivery and performance of this Agreement, the U.S. Underwriting Agreement and the Sub-Advisory Agreement, compliance by the Sub-Adviser with all the provisions hereof and thereof and the consummation of the transactions contemplated hereby and thereby will not (A) violate the articles of incorporation or by-laws of the Sub-Adviser, or (B) conflict with or constitute a breach of any of the terms or provisions of, or a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Sub-Adviser pursuant to any contract, agreement, note, bond, debenture, mortgage, lease, indenture or other

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instrument to which the Sub-Adviser is a party or by which the Sub-Adviser's property is bound except where such breach or conflict would not have a material adverse effect on the Sub-Adviser, or (C) violate or conflict with any United States of Japanese statutes, laws, regulations or rulings to which the Sub-Adviser or any of its property may be subject or any judgment, injunction, decree or order of any United States or Japanese court or governmental agency or authority entered in any proceeding to which the Sub-Adviser was or is now a party or by which the Sub- Adviser or any of its property is bound, except where such violation or conflict would not have a material adverse effect on the Sub-Adviser, or (D) require any consent, approval, authorization or other order of or registration or filing with, any United States or Japanese court, regulatory body, administrative agency or other governmental body (except such as have been duly obtained and such as may be required under the securities or Blue Sky laws of those United States and Canadian jurisdictions in which the U.S. Shares will be offered or sold).

(viii) After due inquiry, such counsel does not know of any legal or governmental proceedings pending to which the Sub-Adviser is a party or to which its property is the subject which could reasonably be expected to have a material adverse effect on the business or financial position of the Fund or the Sub-Adviser, questions the performance by the Sub-Adviser under this Agreement, the U.S. Underwriting Agreement or the Sub-Advisory Agreement and, to the best of such counsel's knowledge, no such proceedings are threatened or contemplated.

(h) An opinion, dated as of Closing Time, of Shin & Kim, Korean counsel for the Fund, in form and substance satisfactory to counsel for the International Managers to the effect that:

(i) Except for such consents, certificates, approvals, licenses, authorizations and orders of any court or governmental authority or agency as shall be specified in such counsel's opinion, all of which have been obtained and are in full force and effect and all conditions of which have been fully satisfied, there are no other consents, certificates, approvals, licenses, authorizations or orders of any court or governmental authority or agency required by any part to any of this Agreement, the U.S. Underwriting Agreement, the Management Agreement, the Advisory Agreement, the Sub-Advisory Agreement or the Custodian Agreement from any governmental or other regulatory authorities, stock exchanges or securities business

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associations in or of Korea in connection with the execution, delivery or performance of any of this Agreement, the U.S. Underwriting Agreement, the Management Agreement, the Advisory Agreement, the Sub-Advisory Agreement or the Custodian Agreement in the manner contemplated herein or therein, or of the issue and sale of the Shares in the manner contemplated in the Offering Circular or the conduct of the business of the Fund as described in the Offering Circular.

(ii) The U.S.-Korea Tax Treaty is applicable to the Fund if and so long as the Fund operates in the manner described in the Offering Circular.

(iii) The information in the Offering Circular under the headings "Summary", "The Republic of Korea Countries", "The Securities Markets of Korea", "Risk Factors and Special Considerations", "Taxation", insofar as they relate to matters of law or regulations of Korea or legal conclusions based thereon, has been reviewed by such counsel and is a fair and accurate description of the laws of Korea or legal conclusions thereunder applicable to the Fund and the operation of its business as described in the Offering Circular.

(iv) No stamp duty or other documentary tax is payable in Korea in respect of the execution, delivery or performance of this Agreement, the U.S. Underwriting Agreement, the Management Agreement, the Advisory Agreement, the Sub-Advisory Agreement or the Custodian Agreement when executed and delivered outside of Korea; under current laws and regulations, no stamp duty or other documentary tax will be charged on, and no other deduction will be made by any court in Korea from, the amount awarded in any judgment rendered in respect of any of the agreements referred to in this paragraph.

(v) The choice of the laws of the State of New York to govern this Agreement and the U.S. Underwriting Agreement and of the Commonwealth of Massachusetts to govern the Management Agreement, the Advisory Agreement, the Sub-Advisory Agreement and the Custodian Agreement is in each case a valid choice of law under the laws of Korea and accordingly would be applied by the courts of Korea if any such agreement or any claim made thereunder is or are brought before such court upon proof of the relevant provisions of United States laws and provided that such provisions are not contrary to the public policy of Korea.

(vi) To the best knowledge of such counsel, there is in Korea no pending or threatened action, suit, investigation or proceeding before any court or governmental agency, authority or body or any

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arbitrator involving or affecting the Fund or questioning the validity of any of this Agreement, the U.S. Underwriting Agreement, the Management Agreement, the Advisory Agreement, the Sub-Advisory Agreement or the Custodian Agreement.

(vii) It is not necessary, by reason of the entry into or performance of this Agreement, the U.S. Underwriting Agreement, the Management Agreement, the Advisory Agreement, the Sub-Advisory Agreement or the Custodian Agreement that any of the parties thereto be licensed or qualified or otherwise

authorized to do business in Korea and the entry into or performance of such agreement by any such party will not, to the best of its knowledge, violate any applicable law, rule or regulation of Korea or any government or any agency thereof, in each case so long as such parties enter into and perform such agreements outside of Korea.

(i) You shall have received on the Closing Date an opinion, dated the Closing Date, of Simpson Thacher & Bartlett, counsel for the International Managers, as to certain of the matters referred to in clauses (i), (iv), (vii), (x), (xiii), (xiv) (but only with respect to the statements under the captions "Description of Capital Stock" and "Underwriting") and (xvi) of the paragraph (e). In giving such opinion with respect to the matters covered by clause (xvii) such counsel may state that their opinion and belief are based upon their participation in the preparation of the Offering Circular and any amendments or supplements thereto and review and discussion of the contents thereof, but are without independent check or verification except as specified.

The opinions of counsel described in paragraphs (e) through (i) above shall be rendered to you at the request of the Fund, and shall so state therein. In giving their opinions, such counsel may rely, among other things, as to matters involving the laws of the State of Maryland, upon the opinion of Piper & Marbury. Such counsel also may rely, (i) as to the qualification of the Fund to do business in any state or jurisdiction, upon certificates of appropriate government officials, and (ii) as to matters of fact, upon certificates and written statements of officers and employees of and accountants for the Fund and of public officials.

(j) You shall have received a letter on and as of the Closing Date, in form and substance satisfactory to you, from Price Waterhouse LLP, independent public accountants, with respect to the financial statements and certain financial information contained in the Offering Circular and substantially in the form and substance of the letter delivered to you by Price Waterhouse LLP on the date of this Agreement.

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(k) The Fund shall not have failed at or prior to the Closing Date to perform or comply with any of the agreements herein contained and required to be performed or complied with by the Fund at or prior to the Closing Date.

14. Effective Date of Agreement and Termination. This Agreement shall become effective upon the later of (i) the execution of this Agreement and (ii) the effectiveness of the U.S. Underwriting Agreement.

This Agreement may be terminated at any time prior to the Closing Date by you by written notice to the Fund if any of the following has occurred: (i) since the respective dates as of which information is given in the Offering Circular, any adverse change or development involving a prospective adverse change in the condition, financial or otherwise, of the Fund, the Investment Manager, the Investment Adviser or the Sub-Adviser or the earnings, affairs, or business prospects of the Fund, the Investment Manager, the Investment Adviser or the Sub-Adviser, whether or not arising in the ordinary course of business, which would, in your judgment, make it impracticable to market the Shares on the terms and in the manner contemplated in the Offering Circular, (ii) any outbreak or escalation of hostilities or other national or international calamity or crisis or change in economic conditions or in the financial markets of the United States, Korea or elsewhere that, in your judgment, is material and adverse and would, in your judgment, make it impracticable to market the Shares on the terms and in the manner contemplated in the Offering Circular, (iii) the suspension or material limitation of trading in securities on the New York Stock Exchange, the American Stock Exchange or the Korea Stock Exchange, or the NASDAQ National Market System or limitation on prices for securities on any such exchange or

National Market System, (iv) the enactment, publication, decree or other promulgation of any federal or state statute, regulation, rule or order of any court or other governmental authority which in your opinion materially and adversely affects, or will materially and adversely affect, the business or operations of the Fund, (v) the declaration of a banking moratorium by either federal, New York State or Korean authorities and (vi) the taking of any action by any federal, state or local government or agency in respect of its monetary or fiscal affairs which in your opinion has a material adverse effect on the financial markets in the United States or Korea.

If this Agreement is terminated pursuant to this Section 14 (or the U.S. Underwriting Agreement is terminated pursuant to Section 14 thereof), each of the parties hereto will pay its own expenses, and the agreements contained in Section 12 shall survive such termination.

If on the Closing Date any one or more of the International Managers shall fail or refuse to purchase the International Shares which it or they have agreed to purchase

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hereunder on such date and the aggregate number of International Shares which such defaulting International Manager or International Managers, as the case may be, agreed but failed or refused to purchase is not more than one-tenth of the total number of Shares to be purchased on such date by all International Managers, on the Closing Date, each non-defaulting International Manager shall be obligated severally, in the proportion which the number of International Firm Shares set forth opposite its name in Schedule I bears to the total number of Shares which all the non-defaulting International Managers have agreed to purchase, or in such other proportion as you may specify, to purchase the International Firm Shares which such defaulting International Manager or International Managers, as the case may be, agreed but failed or refused to purchase on such date; provided that in no event shall the number of International Shares, which any International Manager has agreed to purchase pursuant to Section 2 hereof be increased pursuant to this Section 14 by an amount in excess of one-ninth of such number of International Shares without the written consent of such International Manager. If on the Closing Date, any International Manager or International Managers shall fail or refuse to purchase International Shares, with respect to which such default occurs is more than one-tenth of the aggregate number of International Shares to be purchased on such date by all International Managers and arrangements satisfactory to you and the Fund for purchase of such International Shares are not made within 48 hours after such default, this Agreement will terminate without liability on the part of any non-defaulting International Manager and the Fund. In any such case which does not result in termination of this Agreement, either you or the Fund shall have the right to postpone the Closing Date, but in no event for longer than seven days, in order that the required changes, if any, in the Offering Circular or any other documents or arrangements may be effected. Any action taken under this paragraph shall not relieve any defaulting International Manager from liability in respect of any default of any such International Manager under this Agreement.

15. Miscellaneous. Notices given pursuant to any provision of this Agreement shall be addressed as follows: (a) if to the Fund, to Fidelity Advisor Korea Fund, Inc., 82 Devonshire Street, Boston, Massachusetts 02109, Attention: Arthur Loring, Esq., (b) if to any International Manager or to you, to you c/o Baring Securities, Inc., 667 Madison Avenue, New York, New York, Attention: Mr. Andrew Norris, or in any case to such other address as the person to be notified may have requested in writing.

The respective indemnities, contribution agreements, representations, warranties and other statements of the Fund, its officers and directors, the Investment Manager and the Investment Adviser, the Sub-Adviser and of the several International Managers set forth in or made pursuant to this Agreement shall remain operative and in full force and effect, and will survive

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delivery of and payment for the International Shares, regardless of (i) any investigation, or statement as to the results thereof, made by or on behalf of any International Manager or by or on behalf of the Fund, the officers or directors of the Fund, the Investment Manager, or the Investment Adviser or the Sub-Adviser (ii) acceptance of the International Shares and payment for them hereunder and (iii) termination of this Agreement.

If this Agreement shall be terminated by the International Managers because of any failure or refusal on the part of the Fund, the Investment Manager, the Investment Adviser or the Sub-Adviser to comply with the terms or to fulfill any of the conditions of this Agreement, each of the Fund, the Investment Manager, the Investment Adviser and the Sub-Adviser, jointly and severally, agree to reimburse the several International Managers for all out-of-pocket expenses (including the fees and disbursements of counsel) reasonably incurred by them.

Except as otherwise provided, this Agreement has been and is made solely for the benefit of and shall be binding upon the Fund, the Investment Manager, the Investment Adviser, the Sub-Adviser and the International Managers, any controlling persons referred to herein and their respective successors and assigns, all as and to the extent provided in this Agreement, and no other person shall acquire or have any right under or by virtue of this Agreement. The term "successors and assigns" shall not include a purchaser of any of the International Shares from any of the several International Managers merely because of such purchase.

This Agreement shall be governed and construed in accordance with the laws of the State of New York.

This Agreement may be signed in various counterparts which together shall constitute one and the same instrument.

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Please confirm that the foregoing correctly sets forth the agreement among the Fund, the Investment Manager, the Investment Adviser, the Sub-Adviser and the several International Managers.

Very truly yours,

FIDELITY ADVISOR KOREA
FUND, INC.

By

Title:

FIDELITY MANAGEMENT & RESEARCH
COMPANY

By

Title:

FIDELITY INTERNATIONAL
INVESTMENT ADVISORS

By

Title:

FIDELITY INVESTMENTS JAPAN

LIMITED

By

Title:

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BARING BROTHERS & CO., LIMITED
DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION
LUCKY SECURITIES INTERNATIONAL LTD.
SSANGYONG SECURITIES EUROPE LIMITED
COWEN & COMPANY
KDB SECURITIES CO., LTD.

Acting severally on behalf of
themselves and the several
International Managers named in
Schedule I hereto

By: BARING BROTHERS & CO., LIMITED

By

Name:
Title:

SCHEDULE I

<TABLE>
<CAPTION>

International Managers	Number of International Shares to be Purchased
<S>	<C>
Baring Brothers & Co., Limited	
Donaldson, Lufkin & Jenrette Securities Corporation	
Lucky Securities International Ltd.	
SsangYong Securities Europe Limited	
Cowen & Company	
KDB Securities Co., Ltd.	
Total	==========

</TABLE>

SCHEDULE II

Formulas for Calculation
of Sales Incentive Fee

If the Underwriter has sold between 250,000 and 1,499,999 Shares, inclusive:

Number of Shares

which have been credited to the Underwriter	x	$15.00	x	0.15%

If the Underwriter has sold between 1,500,000 and 3,499,999 Shares, inclusive:

Number of Shares which have been credited to the Underwriter	x	$15.00	x	0.25%

If the Underwriter has sold 3,500,000 or more Shares:

Number of Shares which have been credited to the Underwriter	x	$15.00	x	0.30%

AGREEMENT AMONG U.S. UNDERWRITERS

October ___, 1994

BARING SECURITIES INC.
DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION
DILLON, READ & CO. INC.
COWEN & COMPANY
LEGG MASON WOOD WALKER, INCORPORATED
RAUSCHER PIERCE REFSNES, INC.
RAYMOND JAMES & ASSOCIATES, INC.
As U.S. Representatives of the
Several U.S. Underwriters
c/o Baring Securities Inc.
667 Madison Avenue
New York, New York 10021

Dear Sirs:

We understand that Fidelity Advisor Korea Fund, Inc., a Maryland corporation (the "Fund"), Fidelity Management & Research Company, a Massachusetts corporation (the "Investment Manager"), Fidelity International Investment Advisers, a Bermuda corporation (the "Investment Adviser"), and Fidelity Investments Japan Limited, a Japanese corporation (the "Sub-Adviser") confirm that the Fund proposes to issue and sell to the several Underwriters (as defined below) an aggregate of _____ shares of its Common Stock, par value $0.001 per share pursuant to (i) an underwriting agreement (the "U.S. Underwriting Agreement"), with you as representatives (the "U.S. Representatives") of the U.S. Underwriters named in Schedule I thereto (the "U.S. Underwriters"), and an underwriting agreement (the "International Underwriting Agreement") with Baring Brothers & Co., Limited, Donaldson, Lufkin & Jenrette Securities Corporation, Cowen & Company, Lucky Securities International Ltd. and SsangYong Securities Europe Limited, as representatives (the "International Representatives") of the international managers named in Schedule I thereto (the "International Managers"). The U.S. Underwriters and the International Managers are hereinafter collectively referred to as the Underwriters. The U.S. Underwriting Agreement and International Underwriting Agreement are hereinafter collectively referred to as the Underwriting Agreements. The _____ shares of Common Stock to be issued and sold by the Fund are hereinafter called the Firm Shares.

Of such Firm Shares, _____ Firm Shares (the "U.S. Firm Shares") are to be offered by the U.S. Underwriters in the

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United States and Canada (the "U.S. Firm Shares") and _____ Firm Shares are to be offered to non-U.S. and non-Canadian investors outside the United States and Canada by the International Managers (the "International Shares").

In addition, the several U.S. Underwriters will have options to purchase from the Fund up to an additional _____ shares (the "Additional Shares") to provide for over-allotments. The term "U.S. Shares" shall mean the U.S. Firm Shares and the Additional Shares. The U.S. Shares and the International Shares are hereinafter collectively referred to as the Shares.

1. Registration Statement. We confirm that we have examined the registration statement on Form N-2 (Nos. 33-81186 and 811-8608) relating to the Shares as amended to the date of this Agreement and we are familiar with the terms of the securities to be offered and the other terms of the offering which are to be reflected in the proposed amendment to the registration statement (or, if the registration statement has become effective under the U.S. Securities Act of 1933, as amended (the "Act"), which are deemed to be included in the registration statement pursuant to Rule 430A under said Act). The registration statement contains a prospectus to be used in connection with the offering and sale of the U.S. Shares in the United States and Canada to United States and Canadian Persons. The registration statement as amended at the time when it becomes effective, including the information (if any) deemed to be a part of the registration statement at the time of effectiveness pursuant to Rule 430A under the Act), is hereinafter referred to as the Registration Statement; and the U.S. prospectus in the form first used to confirm sales of U.S. Shares is hereinafter referred to as the Prospectus.

2. U.S. Underwriting Agreement and Agreement Between U.S. Underwriters and International Managers. We authorize you to execute and deliver the U.S. Underwriting Agreement and the Agreement Between U.S. Underwriters and International Managers on our behalf in substantially the forms of Exhibits A and B hereto, respectively, and to make representations and agreements on our behalf as set forth therein. We will be bound by all terms of the U.S. Underwriting Agreement and the Agreement Between U.S. Underwriters and International Managers as executed. We understand that, subject to the conditions of the Agreement Between U.S. Underwriters and International Managers the several U.S. Underwriters, including ourselves, could become obligated to purchase Shares from or sell Shares to the International Managers. The term "original underwriting commitment", as used in this Agreement with respect to any U.S. Underwriters, shall refer to the number of Shares set forth opposite such U.S. Underwriters's name in Schedule I to the U.S. Underwriting Agreement plus any Shares which such U.S. Underwriter may become obligated to

purchase pursuant to the provisions of Section 12 of the U.S. Underwriting Agreement or Section 9 hereof. The ratio which such original underwriting

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commitment of any U.S. Underwriter bears to the total number of U.S. Firm Shares is referred to in this Agreement as the U.S. underwriting proportion of such U.S. Underwriter.

3. Authorization Under U.S. Underwriting Agreement and Agreement Between U.S. Underwriters and International Managers. You are also authorized in your sole discretion to take the following action with respect to the U.S. Underwriting Agreement and the Agreement Between U.S. Underwriters and International Managers:

(a) To postpone the Closing Date (as such term is defined in the U.S. Underwriting Agreement) or to extend any other time or date specified in the U.S. Underwriting Agreement.

(b) To exercise any right of cancellation or termination.

(c) To arrange for the purchase by other persons (including yourselves or any other U.S. Underwriters) of any of the Shares not taken up by any defaulting U.S. Underwriter or by the other U.S. Underwriters as provided in the U.S. Underwriting Agreement.

(d) To give notice on our behalf of the determination to purchase any Additional Shares.

(e) To consent to any other additions to, changes in or waivers of provisions of the U.S. Underwriting Agreement and the Agreement Between U.S. Underwriters and International Managers, and to take such other action in connection with the offering of the Shares, as may seem advisable to you in respect thereof.

(f) To determine whether to purchase, and, if such determination is made, to purchase, any Shares for the account of the U.S. Underwriters pursuant to the Agreement Between U.S. Underwriters and International Managers and to determine whether to sell, and, if such determination is made, to sell, Shares for the account of the U.S. Underwriters pursuant to such Agreement. You will advise us promptly as to the number of Shares purchased pursuant to such Agreement that we shall retain for direct sale.

4. Method of Offering. We authorize you, as U.S. Representatives of the several U.S. Underwriters, to manage the underwriting and the offering of the Shares and to take such action in connection therewith and in connection with the purchase, carrying and resale of the Shares,

including without limitation the following, as you in your sole discretion deem appropriate or desirable:

(a) To determine the time of the initial offering of the U.S. Shares, the initial offering price of the U.S. Shares and the Underwriters' gross spread and whether to purchase any Additional Shares and the amount, if any, of Additional Shares to be so purchased.

(b) To make any changes in the public offering price or other terms of the offering.

(c) To make changes in those who are to be U.S. Underwriters and in the respective numbers of the U.S. Firm Shares to be purchased by them, provided that our original underwriting commitment shall not be changed without our consent.

(d) To determine all matters relating to advertising and communications with dealers or others.

(e) To reserve for sale and to sell to institutions or other retail purchasers, for our account, such of our Shares (including any Shares purchased from the International Managers pursuant to the Agreement Between U.S. Underwriters and International Managers) as you may determine; provided, however, that such reservations and sales shall be made for the respective accounts of the several U.S. Underwriters as nearly as practicable in their respective U.S. underwriting proportions, except for such sales for the account of a particular U.S. Underwriters designated by such a purchaser.

(f) To reserve for sale and to sell to dealers, for our account, such of our Shares (including any Shares purchased from the International Managers pursuant to the Agreement Between U.S. Underwriters and International Managers) as you may determine; provided, however, that such dealers shall be actually engaged in the investment banking or securities business and shall be (a) members in good standing of the NASD, (b) banks as defined in Section 3(a)(12) of the Securities Exchange Act or 1934, as amended ("Banks") that are not members of the NASD, or (c) foreign banks, brokers, dealers or other institutions not eligible for membership in the NASD. If such dealers are members, they agree that in making sales of Shares they will comply with all applicable rules of the NASD, including, without limitation, the NASD's Interpretation with Respect to Free-Riding and Withholding and Section 24 of Article III of the Rules of Fair Practice. If they are not NASD members, they agree to comply as

though they were members with such Interpretation and Sections 8, 24 and 36 of Article III of the Rules of Fair Practice. If they are such foreign banks, brokers, dealers or other institutions, they agree not to offer or sell any Shares in the United States of America except through the Representatives and in making sales of Shares they agree to comply with Section 25 of

Article III of the NASD's Rules of Fair Practice as it applies to nonmember brokers or dealers in a foreign country. If they are such foreign banks, they represent that, unless Baring Securities Inc. is otherwise notified in writing prior to the date hereof, they are not entities covered in (i), (ii) or (iii) of the last paragraph of Section 5. If they are Banks, in connection with the public offering of any Shares that do not constitute "exempted securities" within the meaning of Section 3(a)(12) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") they agree that they will not purchase any Shares at a discount from the offering price from any Underwriter or dealer or otherwise accept any selling concession to dealers, discount or other allowance from any Underwriter or dealer, which in any such case is not permitted under the NASD's Rules of Fair Practice and they agree to comply with Section 25 of Article III of the NASD's Rule of Fair Practice as though they were members.

(g) To apportion such sales to dealers among the U.S. Underwriters as nearly as practicable in the ratio that Shares (including any Shares purchased from the International Managers pursuant to the Agreement Between U.S. Underwriters and International Managers) of each U.S. Underwriter so reserved bears to the total amount of Shares (including any Shares purchased from the International Managers pursuant to the Agreement Between U.S. Underwriters and International Managers) of all U.S. Underwriters so reserved; provided, however, that if such ratio is to be revised by reason of the release of Shares for direct sale as hereinafter provided, sales may be apportioned by you from day to day on the basis of the ratio existing at the end of the preceding day.

(h) To fix the concessions to dealers and the reallowance to dealers and, after the initial offering of the U.S. Shares, to make changes in the concessions and reallowance.

(i) At any time with respect to unsold Shares retained by us (including any Shares purchased from the International Managers pursuant to the Agreement Between U.S. Underwriters and International Managers): (A) to reserve any of such Shares for sale by you for our account or (B) to purchase any of such Shares which in your opinion are needed to enable you to make deliveries for the accounts of the

several U.S. Underwriters pursuant to this Agreement. Such purchases may be made at the public offering price or, at your option, at such price less all or any part of the concession to dealers.

We understand that you will advise us when the Shares are released for sale and of the amount of Shares sold or reserved for sale for our account. We shall retain for direct

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sale any Shares purchased by us (including any Shares purchased from the International Managers pursuant to the Agreement Between U.S. Underwriters and International Managers) and not so sold or reserved. Direct sales will be made in accordance with the terms of offering set forth in the Prospectus. With your consent, we may obtain release from you for direct sale of any Shares held by you for sale pursuant to subparagraphs (e) and (f) above but not sold and paid for. To the extent Shares so released had been reserved for sale to dealers, the amount of Shares reserved for our account for sale to dealers shall be correspondingly reduced. We will advise you from time to time, at your request, of the amount of Shares retained by us which remain unsold and of the amount of Shares remaining unsold which were delivered to us pursuant to the last paragraph of this Section 4.

We agree that without your consent we will not sell to any account over which we exercise discretionary authority any of the Shares.

5. Trading Authorizations. We authorize Baring Securities Inc., during the term of this Agreement relating to the offering of the Shares in its discretion:

(a) To make purchases and sales of Shares, any securities of the Fund of the same class and series as the Shares, any securities into which the Shares are convertible or for which the Shares are exchangeable and any other securities of the Fund, in the open market or otherwise (in addition to purchases and sales made under the authority of Section 4 and under the authority of the Agreement Between U.S. Underwriters and International Managers), either for long or short account, on such terms and at such prices as it may determine.

(b) In arranging for sales of the Shares pursuant to Section 4, to over-allot, and to make purchases for the purpose of covering any over-allotment so made.

It is understood that, in connection with the offering of the Shares, Baring Securities Inc. may have made purchases of any such securities for stabilizing purposes prior to the time when we became one of the Underwriters and we agree that any such securities so purchased shall be

treated as having been purchased pursuant to the foregoing authorization.

All such purchases and sales and over-allotments shall be made for the respective accounts of the several U.S. Underwriters and the several International Managers as set forth in the Agreement Between U.S. Underwriters and International Managers; provided, however, that at no time shall our net commitment resulting from such purchases and sales, either for long or short account, or pursuant to such over-allotments, exceed 15% of our original underwriting commitment and provided,

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further, that in determining our net commitment for short account there shall be subtracted the maximum amount of Additional Shares which we are entitled to purchase. We agree to take up at cost on demand any securities so purchased for our account and to deliver on demand any securities so sold or so over-allotted for our account. Without limiting the generality of the foregoing, Baring Securities Inc. may buy or take over for the respective accounts of the several Underwriters, all in the proportion and within the limits set forth, at the price at which reserved, any of the Shares reserved for sale by it but not sold and paid for, for such purposes as it may determine, including, but not limited to, the covering of over-allotments and short sales.

If Baring Securities Inc. engages in any stabilization transaction pursuant to this Section, it will notify us promptly of the date and time of the first stabilizing purchase and the date and time of termination of stabilization. Baring Securities Inc. shall prepare and maintain such records as are required to be maintained by it as manager pursuant to Rule 17a-2 under the Exchange Act.

6. Limitation on Transactions by Underwriters. We agree that we will not, without the advance approval of Baring Securities Inc., buy, sell, deal or trade in (i) any Common Stock, (ii) any security of the Fund convertible into Common Stock or (iii) any right or option to acquire or sell Common Stock or any security of the Fund convertible into Common Stock, for our own account or for the account of a customer, except:

(a) as provided for in this Agreement, the U.S. Underwriting Agreement or the Agreement Between U.S. Underwriters and International Managers;

(b) that we may convert any security of the Fund convertible into Common Stock owned by us and sell the Common Stock acquired upon such conversion and that we may deliver Common Stock owned by us upon the exercise of any option written by us as permitted by the provisions set forth herein;

(c) in brokerage transactions on unsolicited orders which have not resulted from activities on our part in connection with the solicitation of purchases and which are executed by us in the ordinary course of our brokerage business; and

(d) that on or after the date of the initial public offering of the Shares, we may execute covered writing transactions in options to acquire Common Stock, when such transactions are covered by Shares, for the accounts of customers.

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An opening uncovered writing transaction in options to acquire Common Stock for our account or for the account of a customer shall be deemed, for purposes of this Section 7, to be a sale of Common Stock which is not unsolicited. The term "opening uncovered writing transaction in options to acquire" as used above means a transaction where the seller intends to become a writer of an option to purchase any Common Stock which he does not own. An opening uncovered purchase transaction in options to sell Common Stock for our account or for the account of a customer shall be deemed, for purposes of this paragraph, to be a sale of Common Stock which is not unsolicited. The term "opening uncovered purchase transaction in options to sell" as used above means a transaction where the purchaser intends to become an owner of an option to sell Common Stock which he does not own.

We represent that we have not participated in any transaction prohibited by the preceding paragraphs of this Section 7 and that we have at all times complied with and will at all times comply with the provisions of Rule 10b-6 under the Exchange Act of the Commission applicable to the offering of the Shares.

We may, with your prior consent, make purchases of the Shares from and sales to other Underwriters at the public offering price, less all or any part of the concession to dealers.

7. Delivery and Payment. At or before 10:00 A.M., New York City time on the Closing Date, we will deliver to you at the office of Baring Securities Inc., 667 Madison Avenue, New York, New York 10021, a certified or official bank check, payable in New York Clearing House funds, payable to the order of Baring Securities Inc. or otherwise as you may direct, for (i) an amount equal to the offering price less the selling concession to dealers in respect of the Shares to be purchased by us, or (ii) an amount equal to the offering price less the selling concession in respect of such of the Shares to be purchased by us as shall have been retained by or released to us for direct sale or (iii) the amount set forth or indicated in a telex to us, as you shall direct. You shall use such funds to make payment on our behalf to the Fund of the purchase price for our Shares. Any balance shall be held by you for our

account. If you have not received our funds as requested, you may in your discretion make any such payment on our behalf and we will promptly deliver funds to you in the amount so requested. Any such payment by you will not relieve us from any of our obligations under this Agreement, the U.S. Underwriting Agreement or the Agreement Between U.S. Underwriters and International Managers. Unless we promptly give you written instructions otherwise, if transactions in the Shares may be settled through the facilities of The Depository Trust Company, payment for and delivery of Shares purchased by us will be made through such facilities, if we are a member, or, if we are not a

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member, settlement may be made through our ordinary correspondent who is a member.

We authorize you, in carrying out the provisions of this Agreement, in your discretion, to arrange loans for the account of one or more of the U.S. Underwriters, severally and not jointly, to advance your funds for our account, charging current interest rates, to execute notes or other instruments in connection therewith, and to hold or pledge as security therefor all or any part of the Shares which you may be holding for our account. Any lender is hereby authorized to accept your instructions with respect to such loans, and we authorize you to execute and deliver notes or other instruments in connection therewith.

You shall promptly remit to us or credit to our account (i) the proceeds of any loan taken down on our behalf and (ii) upon payment to you for any Shares sold for our account, an amount equal either to the purchase price paid by us or the price received by you therefor, as you may determine. We authorize you to receive payment of the commission or other compensation for our account.

We authorize you to take delivery of certificates for our Shares, registered as you may direct in order to facilitate deliveries, and to deliver any Shares reserved for us against sales. You will deliver to us certificates for our unreserved Shares and certificates for our reserved but unsold Shares as soon as practicable after the termination of the provisions referred to in Section 10.

Certificates for all other Shares which you then hold for our account shall be delivered to us upon termination of this Agreement, or prior thereto in your discretion, and certificates for any such Shares may at any time be delivered to us for carrying purposes only, subject to redelivery upon demand. If, upon termination of this Agreement, the aggregate of Shares which remain unsold, represents not more than 15% of the Shares, Baring Securities Inc. may, in its discretion, sell such securities at such prices as it may determine.

8. Blue Sky Qualification. Upon request, you will inform us as to the jurisdictions in which you have been advised by counsel that the Shares have been registered or qualified for sale under the respective securities or Blue Sky laws, but you do not assume any responsibility or obligation as to our right to sell the Shares in any jurisdiction.

You are authorized to file or cause to be filed a Further State Notice with the Department of State of New York.

9. Indemnification and Certain Claims. Each U.S. Underwriter, including yourselves, agrees to indemnify and hold harmless each of the other U.S. Underwriters and each person, if

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any, who controls any other U.S. Underwriter within the meaning of Section 15 of the Act or Section 20 of the Exchange Act and to reimburse their expenses, all to the extent, if any, and upon the terms that we agree to indemnify and hold harmless the Fund, its directors, its officers who sign the Registration Statement, each person, if any who controls the Fund within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, the Investment Manager, the Investment Adviser and the Sub-Adviser and to reimburse their expenses, as set forth in the U.S. Underwriting Agreement.

We agree that in respect of any matters connected with or action taken by you pursuant to this Agreement or the Agreement Between U.S. Underwriters and International Managers you shall act only as agents of the U.S. Underwriters and you shall be under no liability to us in any such respect or in respect of the form of, or the statements contained in, or the validity of, any preliminary prospectus or the Registration Statement or the Prospectus, or any amendments or supplements to any of them, or for any report or other filing made by you for us on our behalf under this Agreement or the Agreement Between U.S. Underwriters and International Managers, except for want of good faith and for obligations expressly assumed by you herein and no obligations on your part will be implied or inferred from confirmation or acceptance of this Agreement or the Agreement Between U.S. Underwriters and International Managers.

We will pay our proportionate share (based on our U.S. underwriting proportion) of (a) all expenses incurred by you in investigating or defending against any claim or proceeding which is asserted or instituted by any party (including any governmental or regulatory body) other than an Underwriter based upon the claim that the Underwriters constitute an association, unincorporated business or other separate entity, or relating to the Registration Statement or the Prospectus (or any amendment or supplement thereto) or any preliminary prospectus and (b) any liability incurred by you in respect of any such claim or proceeding, whether such liability shall be the

result of a judgment or as a result of any settlement agreed to by you, other than any such liability as to which you actually receive indemnity pursuant to the first paragraph of this Section 7, Section 3 of the Agreement Between U.S. Underwriters and International Managers or pursuant to this Section 10 or indemnity or contribution pursuant to the U.S. Underwriting Agreement.

10. Termination and Settlement. This Agreement shall terminate (i) on the thirtieth business day after the initial offering of the Shares, (ii) on such earlier date as you may determine or (iii) on the termination of the U.S. Underwriting Agreement if the U.S. Underwriting Agreement shall be terminated as permitted by its terms; provided that the U.S. Representatives may in their discretion extend this Agreement for a further period or periods not exceeding an aggregate, of

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30 days. You may at your discretion, on notice to us prior to the termination of this Agreement, terminate or suspend the effectiveness of Sections 4, 6 and 7 hereof or any part of them or alter any of the terms or conditions of offering determined pursuant to Section 4 hereof. No termination or suspension pursuant to this Section shall affect your authority under Section 6 hereof to cover any short position under this Agreement.

Upon termination of this Agreement, all authorizations, rights and obligations hereunder shall cease, except (i) the mutual obligations to settle accounts hereunder, (ii) our obligation to pay any transfer taxes which may be assessed and paid on account of any sales hereunder for our account, (iii) our obligations with respect to purchases which may be made by you from time to time thereafter to cover any short position incurred under this Agreement, (iv) our agreements contained in the first and third paragraphs of Section 10 hereof and (v) the obligations of any defaulting U.S. Underwriter, all of which shall continue until fully discharged.

The accounts arising pursuant to this Agreement shall be settled and paid as soon as practicable after termination, except that you may reserve such amount as you deem advisable to cover any additional contingent expenses.

You are authorized at any time:

(a) To make partial distributions of credit balances or call for the payment of debit balances.

(b) To determine the amounts to be paid to or by us, which determination will be final and conclusive.

(c) As compensation for your services in connection with this Agreement, to charge our account and pay to yourselves, when final

accounting is made, an amount per U.S. Share to be determined by you (not to exceed 25% of the U.S. Underwriters' gross spread per U.S. Share) for each U.S. Share which we have agreed or shall become committed to purchase from the Fund.

(d) To charge our account with (i) all transfer taxes on sales made for our account and (ii) our U.S. underwriting proportion of all expenses (other than transfer taxes) incurred by you, as U.S. Representatives of the several U.S. Underwriters, in connection with the transactions contemplated by this Agreement.

(e) To hold any of our funds at any time in your hands with your general funds without accountability for interest.

11. Default by U.S. Underwriters. Default by any

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U.S. Underwriter in respect of its obligations hereunder or under the U.S. Underwriting Agreement shall not release us from any of our obligations or in any way affect the liability of such defaulting U.S. Underwriter to the other U.S. Underwriters or International Managers, for damages resulting from such default. If one or more U.S. Underwriters or International Managers default under the Underwriting Agreements, you may (but shall not be obligated to) arrange for the purchase by others, which may include yourselves or other non-defaulting U.S. Underwriters or International Managers, of all or a portion of the Shares not taken up by the defaulting U.S. Underwriters or International Managers.

If such arrangements are made, the respective numbers of Shares to be purchased by the non-defaulting U.S. Underwriters and the amounts of Shares to be purchased by non-defaulting International Managers shall be taken as the basis for all rights and obligations hereunder; but this shall not in any way affect the liability of any defaulting U.S. Underwriters to the other U.S. Underwriters or International Managers for damages resulting from its default, nor shall any such default relieve any other U.S. Underwriter of any of its obligations hereunder, under the U.S. Underwriting Agreement or under the Agreement Between U.S. Underwriters and International Managers except as herein or therein provided. In addition, in the event of default by one or more Underwriters in respect of their obligations under the Underwriting Agreements to purchase the Shares agreed to be purchased by them thereunder and, to the extent that arrangements shall not have been made by you for any person to assume the obligations of such defaulting Underwriter or Underwriters, we agree to assume our proportionate share, based upon the proportion which the number of U.S. Shares set forth opposite our name in Schedule I to the U.S. Underwriting Agreement bears to the aggregate number of Shares set forth opposite the names of all non-defaulting Underwriters (subject to the limitations contained in the Underwriting Agreements), without relieving

such defaulting Underwriter of its liability therefor.

In the event that any U.S. Underwriter shall default in its obligations (i) pursuant to Section 3(f) or Section 6, (ii) to pay amounts owed by it pursuant to Section 11 or (iii) pursuant to the first or third Paragraph of Section 10, we will assume our proportionate share (determined on the basis of the U.S. underwriting proportions of the non-defaulting U.S. Underwriters) of such obligations, but no such assumption shall affect any obligation of any defaulting U.S. Underwriter.

12. Distribution of Prospectuses. We are familiar with Act Release No. 4968 and Rule 15c2-8 under the Exchange Act, relating to the distribution of preliminary and final prospectuses, and we confirm that we will comply therewith, to the extent applicable, in connection with the sale of the Shares. You shall cause to be made available to us, to the

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extent made available to you by the Fund, such number of copies of the Prospectus as we may reasonably request for purposes contemplated by the Act, the Exchange Act and the rules and regulations thereunder.

If the offering is subject to the 48-hour prospectus delivery requirement set forth in Rule 15c2-8(b), we confirm that we have delivered (or we will deliver) a copy of the preliminary prospectus to all persons to whom we expect to confirm a sale of Shares and that such delivery was effected (or will be effected) at least 48 hours prior to the mailing of such confirmations of sale.

We will keep an accurate record of the names and addresses of all persons to whom we give copies of the Registration Statement, the Prospectus or any preliminary prospectus (or any amendment or supplement thereto), and, when furnished with any subsequent amendment to the Registration Statement, any subsequent prospectus or any memorandum outlining changes in the Registration Statement or any prospectus, we will, upon your request, promptly forward copies thereof to such persons.

13. Miscellaneous. Nothing in this Agreement shall constitute us partners with you or with the other U.S. Underwriters or with the International Managers and the obligations of ourselves and of each of the other U.S. Underwriters are several and not joint. Each U.S. Underwriter elects to be excluded from the application of Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1986. Default by any U.S. Underwriter with respect to the U.S. Underwriting Agreement shall not release us from any of our obligations thereunder or hereunder.

Any action to be taken by the U.S. Representatives under this Agreement may be taken by Baring Securities Inc.

Unless we have promptly notified you in writing otherwise, our name as it should appear in the Prospectus and our address are set forth below.

Any notice from you to us shall be deemed to have been given if mailed, telegraphed or hand delivered, or telephoned and subsequently confirmed in writing, to our address appearing below.

We confirm that we are (a) a member in good standing of the NASD, (b) a Bank that is not a member of the NASD, or (c) a foreign bank, broker, dealer or other institution not eligible for membership in the NASD. If we are such a member, we agree that in making sales of Shares we will comply with all applicable rules of the NASD, including, without limitation, the NASD's Interpretation with Respect to Free-Riding and Withholding and Section 24 of Article III of the Rules of Fair

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Practice. If we are not a NASD member, we agree to comply as though we were a member with such Interpretation and Sections 8, 24 and 36 of Article III of the Rules of Fair Practice.

If we are a foreign bank, broker, dealer or other institution and we are not registered as a broker-dealer under Section 15 of the Exchange Act, we agree that while we are acting as an Underwriter in respect of the Shares and in any event during the term of this Agreement with respect to the offering of the Shares, we will not directly or indirectly effect in, or with persons who are nationals or residents of, the United States any transactions (except for the purchases provided for in the Underwriting Agreement and transactions contemplated by Sections 4, 6 and 7 hereof) in (i) Shares, or (ii) Common Stock of the Fund that may be exchanged for or converted into Common Stock. We agree to comply with Section 25 of Article III of the NASD's Rules of Fair Practice as it applies to a nonmember broker or dealer in a foreign country. We agree that in selling Shares pursuant to any offering (which agreement shall also be for the benefit of the Fund or other seller of such Shares) we will comply with all applicable laws, rules and regulations, including the applicable provisions of the Act and the Exchange Act, the applicable rules and regulations of the Commission thereunder, the applicable rules and regulations of any securities exchange having jurisdiction over the offering and the applicable laws and regulations of any applicable regulatory body.

If we are a foreign bank or dealer, we represent that in connection with sales and offers to sell Shares made by us outside the United States (a) we will not offer or sell any Shares in any jurisdiction except in compliance with applicable laws and (b) we will either furnish to each person to whom any such sale or offer is made a copy of the then current preliminary prospectus, if any, or of the Prospectus (as then amended or supplemented), as

the case may be, or inform such person that such preliminary prospectus, if any, or Prospectus will be available upon request. Any, offering material in addition to the then current preliminary prospectus or the Prospectus furnished by us to any person in connection with any offers or sales referred to in the preceding sentence (i) shall be prepared and so furnished at our sole risk and expense and (ii) shall not contain information relating to the Shares or the Fund which is inconsistent in any respect with the information contained in the then current preliminary prospectus, if any, or in the Prospectus (as then amended or supplemented), as the case may be. It is understood that no action has been taken by you or the Fund or any seller of the Shares to permit a public offering in any jurisdiction other than the United States where action would be required for such purpose.

We also confirm that our commitment to purchase Shares pursuant to the U.S. Underwriting Agreement or the Agreement Between U.S. Underwriters and International Managers will not

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result in a violation of Rule 15c3-1 under the Exchange Act or of any similar provisions of any applicable rules of any securities exchange to which we are subject or of any restriction imposed upon us by any such exchange or any governmental authority.

We agree that we will notify you immediately of any development before the termination of this Agreement with respect to the offering of the Shares which makes untrue or incomplete any information that we have given or are deemed to have given in response to the Underwriters' Questionnaire.

This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

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This Agreement is being executed by us and delivered to you in duplicate. Please indicate your receipt of identical agreements from each of the other U.S. Underwriters by confirming this Agreement, whereupon it shall constitute a binding agreement between us.

Very truly yours,

U.S. Underwriters

(As attorney-in-fact for each of the several U.S. Underwriters named in Schedule I of the U.S. Underwriting Agreement)

Acknowledged and Accepted
as of the date first above
mentioned

BARING SECURITIES INC.
DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION
DILLON, READ & CO. INC.
COWEN & COMPANY
LEGG MASON WOOD WALKER, INCORPORATED
RAUSCHER PIERCE REFSNES, INC.
RAYMOND JAMES & ASSOCIATES, INC.

As U.S. Representatives
of the several U.S. Underwriters

By: BARING SECURITIES INC.

By:

October , 1994

Baring Securities Inc.
667 Madison Avenue
New York, New York 10021

Attention: Syndicate Department

Dear Sirs:

U.S. SELLING AGREEMENT

In connection with the proposed public offering in the United States by Fidelity Advisor Korea Fund, Inc. (the "Company") of Common Stock, $.001 par value, which public offering is to be underwritten by you and by other Underwriters represented by you, Donaldson, Lufkin & Jenrette Securities Corporation, Dillon, Read & Co. Inc., Legg Mason Wood Walker, Incorporated, Rauscher Pierce Refsnes, Inc. and Raymond James & Associates, Inc., we may be offered the right to purchase a portion of such securities, as principal, from you and from such other Underwriters. Annex 1 to this letter sets forth the general terms and conditions applicable to any such purchases where you are responsible for reservations of securities for sale to dealers and expressly inform us that such terms and conditions shall be applicable to any such purchases where you are responsible for reservations of securities for sale to dealers and expressly inform us that such terms and conditions shall be applicable to such transactions by dealers. Our acceptance of any reservation of any such securities shall constitute acceptance of and agreement to such terms and conditions, together with and subject to any additional or supplementary terms and conditions communicated to us in connection with any specific transaction, and shall constitute a binding agreement between ourselves and the several Underwriters of such securities.

In addition, the Rules of Fair Practice of the National Association of Securities Dealers, Inc. require that you obtain our agreement to comply with certain of such Rules as a condition to the allowance by you of certain concessions or portions thereof, whether or not you are responsible for reservations for sale of securities to dealers. Accordingly, the provisions of Paragraph 12 of the general terms and conditions attached as Annex 1 to this letter shall be deemed to apply to purchases from you of securities which are part of a "fixed price offering" within the meaning of such Rules.

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We acknowledge the foregoing procedure by signing this letter.

Very truly yours,

By: ----------

Name:
Title:

Annex 1

GENERAL TERMS AND CONDITIONS OF
DEALERS' PARTICIPATION IN UNDERWRITTEN PUBLIC OFFERINGS
MANAGED BY BARING SECURITIES INC.

1. GENERAL. In connection with public offerings of securities ("Securities") underwritten by underwriters ("Underwriters") represented by Baring Securities Inc. alone or in conjunction with other firms ("Representatives"), the Underwriters may severally offer to one or more securities dealers ("Dealers") the right to purchase, as principals, from the Underwriters a portion of the Securities, subject to the receipt and acceptance thereof by the Underwriters and subject to the terms and conditions set forth (a) herein, (b) in the prospectus relating to the offering of the Securities and (c) in any letter and/or telegram sent to Dealers in connection with an offer to Dealers; provided, however, that the terms and conditions herein set forth shall be applicable only to offerings where Baring Securities Inc. is responsible for reservations of Securities for sale to Dealers and have expressly informed Dealers that such terms and conditions shall be applicable.

2. BASIS OF OFFER. The offer to Dealers is to be made on the basis of a reservation of Securities and an allotment against subscriptions as set forth in the letter and/or telegram referred to in clause (c) of Paragraph 1 hereof. Dealers to whom an offer is to be made will be notified by telegram of the method and terms of offering, the time of the release of Securities for sale to the public, the initial public offering price, the selling concession, the portion of the selling concession allowable to certain Dealers (the "Reallowance"), the time at which books will be opened, the amount, if any, of Securities reserved for purchase by Dealers, and the period of such reservation (the "Invitation"). Subscriptions may be closed at any time without notice, and the right is reserved to reject any subscription in whole or in part, but notification of allotments against and rejections of subscriptions will be made as promptly as practicable.

3. OFFERING MATERIALS. (a) You understand if registration of the offer and sale of the Securities as contemplated by the Underwriting Agreement is required under the Securities Act of 1933, as amended (the "Act"), the Representatives will, at your request, make available to you, as soon as practicable after sufficient quantities thereof are made available to them by the Company, copies of the prospectus or supplemented prospectus (excluding any documents incorporated by reference therein) to be used in connection with the offering of the Securities in such number as you may reasonably request. As used herein "Prospectus" means the form of prospectus (including any supplements and any documents incorporated by reference therein) authorized for use in connection with such offering.

(b) You understand that if the offer and sale of the Securities are exempt from the registration requirements of the Act, no registration statement will be filed with the Securities and Exchange Commission (the "Commission"). In such case, the Representatives will, at your request, make available to you, as soon as practicable after sufficient quantities thereof are made available to them by the Company, copies in such number as you may reasonably request of any final offering circular or other offering materials to be used in connection with the offering of the Securities. As used herein, "Offering Circular" means the offering circular or other offering materials, as it or they may be amended or supplemented, authorized for use in connection with such offering. The Prospectus or Offering Circular, as the case may be, relating to an offering of Securities is herein referred to as the "Offering Document".

(c) You agree that in purchasing Securities you will rely upon no statement whatsoever, written or oral, other than the statements in the Offering Document delivered to you by the Representatives and any documents incorporated by reference therein. You understand that you are not authorized to give any information or make any representation not contained in the Offering Document or in any document incorporated by reference therein, in connection with the offering of the Securities. Your purchase of Securities shall constitute our agreement that, if requested by the Representatives, you will furnish a copy of any amendment or supplement to any preliminary or final Offering Document to each person to whom you have furnished a previous preliminary or final Offering Document. Your purchase of Securities registered under the Act shall constitute our confirmation that you have delivered, and your agreement that you will deliver, all preliminary and final Prospectuses required for compliance with Rule 15c2-8 (or any successor provision) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Your purchase of securities exempt from registration under the Act shall constitute (i) your confirmation that you have delivered, and your agreement that you will deliver, all preliminary and final Offering Circulars required for compliance with the applicable Federal and state laws and the applicable rules and regulations of any regulatory body promulgated thereunder governing the use and distribution of offering circulars by underwriters, and (ii) to the extent consistent with such laws, rules and regulations, your confirmation that you have delivered and your agreement that you will deliver all preliminary and final Offering Circulars that would be required if Rule 15c2-8 (or any successor provision) under the Exchange Act applied to such offering.

4. OFFERING OF THE SECURITIES. (a) The offering of the Securities is made subject to the conditions referred to in the Offering Document and to the terms and conditions set forth in this Agreement. After the public offering of the Securities has commenced, we may change the public offering price, the selling concession and the reallowance to dealers. Any of the

Securities purchased by you pursuant to this Agreement are to be reoffered by you, subject to their receipt and acceptance by the Representatives, to the public at the initial public offering price, subject to the terms of this Agreement and the Offering Document. Except as otherwise provided herein, the Securities shall not be offered or sold by you below the initial public offering price before the termination of the effectiveness of this Agreement with respect to the offering of such Securities, except that a reallowance from the initial public offering price of not in excess of the amount set forth in

the Invitation may be allowed to any Dealer that (i) agrees that such amount is to be retained and not reallowed in whole or in part, (ii) makes the representations contained in Section 11, and (iii) unless the Securities are "exempted securities" as defined in Section 3(a)(12) of the Exchange Act, is not a "bank" as defined in Section 3(a)(6) of the Exchange Act (a "Bank").

(b) The Representatives as such, and with the Representatives' consent, any Underwriter may buy Securities from, or sell Securities to, any of the Dealers or any of the Underwriters, and any Dealer may buy Securities from, or sell Securities to, any other Dealer or Underwriter, at the initial public offering price less all or any part of the concession to Dealers.

(c) If you have received or been credited with the Dealers' concession as to any Securities purchased by you pursuant to this Agreement, which, prior to the later of (i) the termination of the effectiveness of this Agreement with respect to the offering of such Securities and (ii) the covering by the Representatives of any short position created by the Representatives in connection with the offering of such Securities, the Representatives may have purchased or contracted to purchase for the account of any Underwriter (whether such Securities have been sold or loaned by you), then you agree to pay the Representatives on demand for the accounts of the several Underwriters an amount equal to the Dealers' concession and, in addition, the Representatives may charge you with any broker's commission and transfer tax paid in connection with such purchase or contract to purchase. Securities delivered on such repurchases need not be the identical Securities originally purchased. With respect to any such repurchased Securities as to which you have not yet received or been credited with the Dealers' concession, you shall be responsible for any such broker's commission and transfer tax and the Representatives shall not be obligated to pay any Dealers' concession as to such Securities.

(d) No expenses shall be charged to Dealers. A single transfer tax upon the sale of the Securities by the respective Underwriters to you will be paid by such Underwriters when such Securities are delivered to you. However, you shall pay any transfer tax on sales of Securities by you and shall pay your proportionate share of any transfer tax or other tax (other than

the single transfer tax described above) in the event that any such tax shall from time to time be assessed against us and other Dealers as a group or otherwise.

5. DELIVERY AND PAYMENT. Unless advised otherwise, Securities purchased by you hereunder shall be paid for in full at the public offering price, or, if so advised by the Representatives, at the public offering price less the Dealers' concession, at the offices of Baring Securities Inc., 667 Madison Avenue, New York, New York 10021, at such time and on such day as the Representatives advise, by certified or official bank check payable in New York Clearing House funds to the order of Baring Securities Inc. against delivery of the Securities. If you are called upon to pay the public offering price for the Securities purchased by you, the applicable concession will be paid to you upon termination of this Agreement with respect to the offering of such Securities.

Each Dealer which is a member of The Depository Trust Company authorizes Baring Securities Inc., in its discretion, to arrange for delivery of Securities to such Dealer and for payment therefore by and to such Dealer through the facilities of The Depository Trust Company.

6. SELLING REPRESENTATIONS. You represent and agree that, except for (x) sales between the U.S. Underwriters and the International Managers pursuant to the Agreement Between U.S. Underwriters and International Managers and (y) stabilization transactions contemplated in Section 7 hereof conducted through the U.S. Representatives as part of the distribution of the Shares, (a) you are not purchasing any of the Securities for the account of anyone other than a United States or Canadian Person (as defined below) and (b) you have not offered or sold, and will not offer or sell, resell or deliver, directly or indirectly, any of the Securities or distribute any prospectus relating to the Securities outside the United States or Canada or to anyone other than a United States or Canadian Person, and any Dealer to whom you may sell any of the Securities will represent that it is not purchasing any of the Securities for the account of anyone other than a United States or Canadian Person and will agree that it will not offer or resell such Securities, directly or indirectly, outside the United States or Canada or to anyone other than a United States or Canadian Person or to any other Dealer who does not so represent and agree.

"United States or Canadian Person" shall mean any individual who is resident in the United States or Canada, or any corporation, pension, profit-sharing or other trust or other entity organized under or governed by the laws of the United States or Canada or of any political subdivision thereof (other than the foreign branch of any United States or Canadian Person), and shall include any United States or Canadian branch of a person other than a United States or Canadian Person. "United States" shall mean the United States of America (including the

District of Columbia), its territories, its possessions and all areas subject to its jurisdiction.

You represent that you have not offered or sold, and agree not to offer or sell, any Securities, directly or indirectly, in Canada in contravention of the securities laws of Canada or any province or territory thereof and, without limiting the generality of the foregoing, represent that any offer of Shares in Canada will be made only pursuant to an exemption from the requirement to file a prospectus in the province or territory of Canada in which such offer is made. You further agree to send to any Dealer who purchases from you any of the Securities a notice stating in substance that, by purchasing such Securities, such Dealer represents and agrees that it has not offered or sold, and will not offer or sell, directly or indirectly, any of such Securities in Canada or to, or for the benefit of, any resident of Canada in contravention of the securities laws of Canada or any province or territory thereof and that any offer of Shares in Canada will be made only pursuant to an exemption from the requirement to file a prospectus in the province of Canada in which such offer is made, and that such Dealer will deliver to any other Dealer to whom it sells any of such Securities a notice containing substantially the same statement as is contained in this sentence.

7. STABILIZATION AND OVER-ALLOTMENT. The Representatives may, with respect to any offering of Securities, be authorized to over-allot, to purchase and sell Securities for long or short account and to stabilize or maintain the market price of the Securities. You agree that upon the Representatives' request at any time and from time to time prior to the termination of the effectiveness of this Agreement with respect to an offering of Securities, you will report the amount of Securities purchased by you pursuant to such offering which then remain unsold by you and will, upon the Representatives' request at any such time sell to the Representatives for the account of one or more Underwriters such amount of such unsold Securities as the Representatives may designate at the initial public offering price less an amount to be determined by the Representatives not in excess of the Dealers' concession.

8. OPEN MARKET TRANSACTIONS. Unless the Securities are "exempted securities" as defined in Section 3(a)(12) of the Exchange Act, you agree not to bid for, purchase, attempt to induce others to purchase, or sell, directly or indirectly, any Securities, any other securities of the Company of the same class and series as the Securities and any other securities of the Company which the Representatives may designate, except as brokers pursuant to unsolicited orders and as otherwise provided in this Agreement. If the Securities are or include common stock or securities convertible into common stock and the Securities are not "exempted securities" as defined in Section 3(a)(12) of the Exchange Act, you also agree not to effect or attempt to induce others to effect, directly or indirectly, any transactions

in or relating to put or call options on any stock of the Company, except to the extent permitted by Rule 10b-6 under the Exchange Act as interpreted by the Commission.

9. NET CAPITAL. You represent that the incurrence by you of your obligations hereunder in connection with the offering of the Securities will not place you in violation of Rule 15c3-1 under the Exchange Act, if such requirements are applicable to you, or, if you are a financial institution subject to regulation by the Board of Governors of the Federal Reserve System, the Comptroller of the Currency or the Federal Deposit Insurance Corporation, will not place you in violation of the capital requirements of such regulator or any other regulator to which you are subject.

10. BLUE SKY AND OTHER QUALIFICATIONS. It is understood and agreed that the Representatives assume no responsibility or obligation with respect to the right of any Dealer or other person to sell the Securities in any jurisdiction, notwithstanding any information the Representatives may furnish in that connection.

11. TERMINATION. The provisions of Paragraph 3 hereof shall terminate in respect of any offering of Securities at the close of business on the forty-fifth full business day after the Securities are released by the Representatives for sale to the public, unless extended by the Representatives to not later than the close of business on the fifteenth full business day thereafter, but may be terminated by the Representatives at any time by telegraphic notice sent to Dealers. Notwithstanding any distribution and settlement of accounts, Dealers shall be liable for their proper proportion of any transfer tax or other liability which may be asserted against the Representatives or any of the Underwriters or Dealers based upon the claim that the Dealers, or any other of them, constitute a partnership, an association, an unincorporated business or other separate entity.

12. NASD REPRESENTATIONS. You represent that you are (a) a member in good standing of the NASD, (b) a Bank that is not a member of the NASD, or (c) a foreign bank, broker, dealer or other institution not eligible for membership in the NASD. If you are such a member, you agree that in making sales of Securities you will comply with all applicable rules of the NASD, including, without limitation, the NASD's Interpretation with Respect to Free-Riding and Withholding and Section 24 of Article III of the Rules of Fair Practice. If you are not a NASD member, you agree to comply as though you were

a member with such Interpretation and Sections 8, 24 and 36 of Article III of the Rules of Fair Practice. If you are such a foreign bank, broker, dealer or other institution, you agree not to offer or sell any Securities in the United States of America except through the Representatives and in making sales of Securities you agree to comply with Section 25 of Article III of the NASD's Rules of Fair Practice as it applies to a nonmember broker or dealer in a

foreign country. If you are such a foreign bank, you represent that, unless Baring Securities Inc. is otherwise notified in writing prior to the date hereof, you are not an entity covered in (i), (ii) or (iii) of the last paragraph of Section 5. If you are a Bank, in connection with the public offering of any Securities that do not constitute "exempted securities" within the meaning of Section 3(a)(12) of the Exchange Act you agree that you will not purchase any Securities at a discount from the offering price from any Underwriter or Dealer or otherwise accept any selling concession to Dealers, discount or other allowance from any Underwriter or Dealer, which in any such case is not permitted under the NASD's Rules of Fair Practice and you agree to comply with Section 25 of Article III of the NASD's Rule of Fair Practice as though you were a member. You agree that in selling Securities pursuant to any offering (which agreement shall also be for the benefit of the Company or other seller of such Securities) you will comply with all applicable laws, rules and regulations, including the applicable provisions of the Act and the Exchange Act, the applicable rules and regulations of the Commission thereunder, the applicable rules and regulations of any securities exchange having jurisdiction over the offering and in the case of an offering referred to in Section 4(b) hereof the applicable laws and regulations of any applicable regulatory body.

13. MISCELLANEOUS. (a) The Representatives are acting as representatives of each of the Underwriters in all matters connected with the offering of the Securities and with the Underwriters' purchase of the Securities. Any action to be taken, authority that may be exercised or determination to be made by the Representatives hereunder may be taken, exercised or made by Baring Securities Inc. on behalf of all Representatives. The rights and liabilities of each Underwriter of Securities and each Dealer shall be several and not joint.

(b) The Representatives, as such, shall have full authority to take such action as they may deem advisable in all matters pertaining to the offering of the Securities or arising under this Agreement. The Representatives will have no liability to any Dealer for any act or omission except for obligations expressly assumed by the Representatives herein, and no

obligations on the part of the Representatives will be implied hereby or inferred herefrom.

(c) You understand and agree that you are to act as principal in purchasing Securities and you are not authorized to act as agent for the Company, any selling securityholder or any of the Underwriters in offering the Securities to the public or otherwise.

(d) Nothing herein contained shall constitute us an association, or partners, with the other Dealers, the Underwriters or Representatives, or, except as otherwise provided herein, render us liable for the obligations of any other

Dealers, the Underwriters or the Representatives. If the Dealers among themselves or with the Underwriters or the Representatives are deemed to constitute a partnership for Federal income tax purposes, then each Dealer elects to be excluded from the application of Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1986, as amended, and agrees not to take any position inconsistent with such election. The Representatives are authorized, in their discretion, to execute on behalf of the Dealer such evidence of such election as may be required by the Internal Revenue Service.

(e) Neither the Representatives nor any Underwriter shall be under any liability (except for their own want of good faith) for or in respect of the validity or value of, or title to, any Securities; the form of, or the statements contained in, or the validity of, the registration statement, any preliminary prospectus, the prospectus, or any amendment or supplement thereto, any document which may be incorporated by reference therein, or any letters or instruments executed by or on behalf of the issuer or seller of the Securities or others; the form or validity of the agreement for the purchase of the Securities, the Agreement Among U.S. Underwriters or the instrument containing the terms and conditions of the Securities; the delivery of the Securities; the performance by the issuer or seller of the Securities or others of any agreement on its or their part; the qualifications of the Securities for sale or the legality of the Securities for investment under the laws of any jurisdiction; or any matter in connection with any of the foregoing; provided, however, that nothing in this paragraph shall be deemed to relieve the Representatives or any Underwriter from any liability imposed by the Securities Act of 1933, as amended.

(f) Dealers, by their participation, represent that

neither they nor any of their directors, officers, partners or "persons associated with" them (as defined in the By-Laws of the NASD) nor, to their knowledge, any "related person" (as defined by the NASD in its Interpretation with respect to the Review of Corporate Financing, as amended) has participated or intends to participate in any transaction or dealing as to which documents or information are required to be filed with the NASD pursuant to such Interpretation or its Statement of Policy Concerning Venture Capital and Other Investments, as amended, and as to which such documents or information have not been so filed in a timely manner.

The arrangements of which these terms and conditions form a part shall be construed in accordance with the laws of the State of New York.

Dated: October , 1994

AGREEMENT AMONG INTERNATIONAL MANAGERS

October ___, 1994

BARING BROTHERS & Co., LIMITED
DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION
LUCKY SECURITIES INTERNATIONAL LTD.
SSANGYONG SECURITIES EUROPE LIMITED
As International Representatives of the
Several International Managers
c/o Baring Brothers & Co., Limited
1 America Square
London EC2 2LT

Dear Sirs:

We understand that Fidelity Advisor Korea Fund Inc., a Maryland corporation (the "Fund"), Fidelity Management & Research Company, a Massachusetts corporation (the "Investment Manager"), Fidelity International Investment Advisers, a Bermuda corporation (the "Investment Adviser"), and Fidelity Investments Japan Limited, a Japanese corporation (the "Sub-Adviser") confirm that the Fund proposes to issue and sell to the several Underwriters (as defined below) an aggregate of _____ shares of its Common Stock, par value $0.001 per share pursuant to an underwriting agreement (the "International Underwriting Agreement"), with you as representatives (the "International Representatives") of the international managers named in Schedule I thereto (the "International Managers"), and an underwriting agreement (the "U.S. Underwriting Agreement") with Baring Securities Inc., Donaldson, Lufkin & Jenrette Securities Corporation, Dillon, Read & Co., Inc., Legg Mason Wood Walker, Incorporated, Rauscher Pierce Refsnes, Inc. and Raymond James & Associates, Inc. as representatives (the "U.S. Representatives") of the U.S. underwriters named in Schedule I thereto (the "U.S. Underwriters"). The International Managers and the U.S. Underwriters are hereinafter collectively referred to as the Underwriters. The International Underwriting Agreement and the U.S. Underwriting Agreement are hereinafter collectively referred to as the Underwriting Agreements. The _____ shares of Common Stock to be issued and sold by the Fund are hereinafter called the Firm Shares.

Of such Firm Shares, _____ Firm Shares are to be offered to non-U.S. and non-Canadian Persons outside the United States and Canada by the International Managers (the "International Shares") and _____ Firm

offered by the U.S. Underwriters in the United States and Canada (the "U.S. Firm Shares").

In addition, the several U.S. Underwriters will have options to purchase from the Fund up to an additional _____ shares (the "Additional Shares") to provide for over-allotments. The term "U.S. Shares" shall mean the U.S. Firm Shares and the Additional Shares. The U.S. Shares and the International Shares are hereinafter collectively referred to as the Shares.

1. Offering Circular. We confirm that we have examined the offering circular relating to the International Shares as amended to the date of this Agreement and we are familiar with the terms of the securities to be offered and the other terms of the offering which are reflected in the offering circular. The offering circular is to be used in connection with the offering and sale of the International Shares outside the United States and Canada to persons other than United States and Canadian Persons. The offering circular in the form first used to confirm sales of International Shares is hereinafter referred to as the Offering Circular.

2. International Underwriting Agreement and Agreement Between U.S. Underwriters and International Managers. We authorize you to execute and deliver the International Underwriting Agreement and the Agreement Between U.S. Underwriters and International Managers on our behalf in substantially the forms of Exhibits A and B hereto, respectively, and to make representations and agreements on our behalf as set forth therein. We will be bound by all terms of the International Underwriting Agreement and the Agreement Between U.S. Underwriters and International Managers as executed. We understand that, subject to the conditions of the Agreement Between U.S. Underwriters and International Managers the several International Managers, including ourselves, could become obligated to purchase Shares from or sell Shares to the U.S. Underwriters. The term "original underwriting commitment", as used in this Agreement with respect to any International Manager, shall refer to the number of Shares set forth opposite such International Manager's name in Schedule I to the International Underwriting Agreement plus any Shares which such International Manager may become obligated to purchase pursuant to the provisions of Section 12 of the International Underwriting Agreement or Section 9 hereof. The ratio which such original underwriting commitment of any International Manager bears to the total number of International Shares is

referred to in this Agreement as the international underwriting proportion of such International Manager.

3. Authorization Under International Underwriting Agreement and Agreement Between U.S. Underwriters and International Managers. You are also authorized in your sole discretion to take the following action with respect to the

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International Underwriting Agreement and the Agreement Between U.S. Underwriters and International Managers:

(a) To postpone the Closing Date (as such term is defined in the International Underwriting Agreement) or to extend any other time or date specified in the International Underwriting Agreement.

(b) To exercise any right of cancellation or termination.

(c) To arrange for the purchase by other persons (including yourselves or any other International Managers) of any of the Shares not taken up by any defaulting International Managers or by the other International Managers as provided in of the International Underwriting Agreement.

(d) To consent to any other additions to, changes in or waivers of provisions of the International Underwriting Agreement and the Agreement Between U.S. Underwriters and International Managers, and to take such other action in connection with the offering of the Shares, as may seem advisable to you in respect thereof.

(e) To determine whether to purchase, and, if such determination is made, to purchase, any Shares for the account of the International Managers pursuant to the Agreement Between U.S. Underwriters and International Managers and to determine whether to sell, and, if such determination is made, to sell, Shares for the account of the International Managers pursuant to such Agreement. You will advise us promptly as to the number of Shares purchased pursuant to such Agreement that we shall retain for direct sale.

4. Method of Offering. We authorize you, as International Representatives of the several International Managers, to manage the underwriting and the offering of the International Shares and to take such

action in connection therewith and in connection with the purchase, carrying and resale of the International Shares, including without limitation the following, as you in your sole discretion deem appropriate or desirable:

(a) To determine the time of the initial offering of the International Shares, the initial offering price of the International Shares and the International Managers' gross spread.

(b) To make any changes in the public offering price or other terms of the offering.

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(c) To make changes in those who are to be International Managers and in the respective numbers of the International Shares to be purchased by them, provided that our original underwriting commitment shall not be changed without our consent.

(d) To determine all matters relating to advertising and communications with dealers or others.

(e) To reserve for sale and to sell to institutions or other retail purchasers, for our account, such of our Shares (including any Shares purchased from the U.S. Underwriters pursuant to the Agreement Between the U.S. Underwriters and International Managers) as you may determine; provided, however, that such reservations and sales shall be made for the respective accounts of the several International Managers as nearly as practicable in their respective international underwriting proportions, except for such sales for the account of a particular International Manager designated by such a purchaser.

(f) To reserve for sale and to sell to dealers, for our account, such of our Shares (including any Shares purchased from the U.S. Underwriters pursuant to the Agreement Between the U.S. Underwriters and International Managers) as you may determine; provided, however, that such dealers shall be actually engaged in the investment banking or securities business and shall be (a) members in good standing of the NASD, (b) banks as defined in Section 3(a)(12) of the Securities Exchange Act or 1934, as amended ("Banks") that are not members of the NASD, or (c) foreign banks, brokers, dealers or other institutions not eligible for membership in the NASD. If such dealers are members, they agree that in making sales of Shares they will comply with all applicable rules of the NASD, including, without

limitation, the NASD's Interpretation with Respect to Free-Riding and Withholding and Section 24 of Article III of the Rules of Fair Practice. If they are not NASD members, they agree to comply as though they were members with such Interpretation and Sections 8, 24 and 36 of Article III of the Rules of Fair Practice. If they are such foreign banks, brokers, dealers or other institutions, they agree not to offer or sell any Shares in the United States of America except through the Representatives and in making sales of Shares they agree to comply with Section 25 of Article III of the NASD's Rules of Fair Practice as it applies to nonmember brokers or dealers in a foreign country. If they are such foreign banks, they represent that, unless Baring Brothers & Co., Limited is otherwise notified in writing prior to the date hereof, they are not entities covered in (i), (ii) or (iii) of the last paragraph of Section 5. If they are Banks, in connection with the public offering of any Shares that do not constitute "exempted securities" within the meaning of

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Section 3(a)(12) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") they agree that they will not purchase any Shares at a discount from the offering price from any Underwriter or dealer or otherwise accept any selling concession to dealers, discount or other allowance from any Underwriter or dealer, which in any such case is not permitted under the NASD's Rules of Fair Practice and they agree to comply with Section 25 of Article III of the NASD's Rule of Fair Practice as though they were members; provided, further that such sales shall be made pursuant to dealer agreements substantially in the form set forth as Exhibit B hereto.

(g) To apportion such sales to dealers among the International Managers as nearly as practicable in the ratio that Shares (including any Shares purchased from the U.S. Underwriters pursuant to the Agreement Between the U.S. Underwriters and International Managers) of each International Manager so reserved bears to the total amount of Shares (including any Shares purchased from the U.S. Underwriters pursuant to the Agreement Between the U.S. Underwriters and International Managers) of all International Managers so reserved; provided, however, that if such ratio is to be revised by reason of the release of Shares for direct sale as hereinafter provided, sales may be apportioned by you from day to day on the basis of the ratio existing at the end of the preceding day.

(h) To fix the concessions to dealers and the reallowance to dealers and, after the initial offering of the International Shares, to make changes in the concessions and reallowance.

(i) At any time with respect to unsold Shares retained by us (including any Shares purchased from the U.S. Underwriters pursuant to the Agreement Between the U.S. Underwriters and International Managers): (A) to reserve any of such Shares for sale by you for our account or (B) to purchase any of such Shares which in your opinion are needed to enable you to make deliveries for the accounts of the several International Managers pursuant to this Agreement. Such purchases may be made at the public offering price or, at your option, at such price less all or any part of the concession to dealers.

We understand that you will advise us when the International Shares are released for sale and of the amount of Shares sold or reserved for sale for our account. We shall retain for direct sale any Shares purchased by us (including any Shares purchased from the U.S. Underwriters pursuant to the Agreement Between the U.S. Underwriters and International Managers) and not so sold or reserved. Direct sales will be made in accordance with the terms of offering set forth in the Prospectus. With your consent, we may obtain release from you

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for direct sale of any Shares held by you for sale pursuant to subparagraphs (e) and (f) above but not sold and paid for. To the extent Shares so released had been reserved for sale to dealers, the amount of Shares reserved for our account for sale to dealers shall be correspondingly reduced. We will advise you from time to time, at your request, of the amount of Shares retained by us which remain unsold and of the amount of Shares remaining unsold which were delivered to us pursuant to the last paragraph of Section 5.

We agree that without your consent we will not sell to any account over which we exercise discretionary authority any of the Shares.

5. Trading Authorizations. We confirm that, pursuant to the Agreement Between U.S. Underwriters and International Managers, the International Managers are authorizing Baring Securities Inc. to make purchases and sales of Common Stock for the accounts of the several Underwriters, including the International Managers, in the open market or otherwise, for long or short account, on such terms as they shall deem advisable and to over-allot in arranging sales. Any shares of Common Stock that may have been purchased by

Baring Securities Inc. for stabilizing purposes in connection with the offering of the Shares prior to the execution of this Agreement and the Agreement Between U.S. Underwriters and International Managers shall be treated as having been purchased pursuant to this paragraph and the Agreement Between U.S. Underwriters and International Managers for the accounts of the several Underwriters. We authorize Baring Securities Inc. to over-allot in arranging sales of the Shares and to make purchases for the purpose of covering any over-allotments so made. We recognize that the International Primary Marketing Association (IPMA) limits will not be complied with in connection with stabilization losses and expenses. Subject to the provisions of the Agreement Between U.S. Underwriters and International Managers, all such purchases, sales and over-allotments for the International Managers as a group shall be made for the respective accounts of the several International Managers as nearly as practicable in their respective international underwriting proportions; provided that at no time shall our net commitment pursuant to the foregoing authorization and resulting from purchases and sales pursuant to the Agreement Between U.S. Underwriters and International Managers, either for long or short account, exceed 15% of our original underwriting commitment. We agree to take up at cost on demand any shares of Common Stock so purchased for our account and to deliver on demand any shares so sold or so over-allotted for our account. Without limiting the generality of the foregoing, Baring Securities Inc. may buy or take over for the respective accounts of the several International Managers, all in the proportion and within the limits set forth, at the price at which reserved, any of the Shares reserved for sale by it but not sold and paid for,

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for such purposes as it may determine, including, but not limited to, the covering of over-allotments and short sales.

Baring Brothers & Co., Limited agrees to notify us of the date of termination of stabilization.

If, prior to the termination of this Agreement (or prior to such earlier date as the International Representatives may have determined), Baring Brothers & Co., Limited purchases or contracts to purchase any of the Shares sold directly by us, in its discretion Baring Brothers & Co., Limited may (i) sell for our account the Shares so purchased and debit or credit our account for the loss or profit resulting from such sale, (ii) charge our account with an amount equal to the concession to dealers with respect thereto and credit such amount against the cost thereof or (iii) require us to purchase such Shares at a price equal to the total cost of such purchase including

commissions and transfer taxes on redelivery. Certificates for the Shares delivered on such repurchase need not be identical to the certificates for the Shares so purchased by Baring Securities Inc.

6. Delivery and Payment. At or before 10:00 A.M., New York City time on the Closing Date, we will deliver to you at the office of Baring Securities Inc., 667 Madison Avenue, New York, New York 10021, a certified or official bank check, payable in New York Clearing House funds, payable to the order of Baring Securities Inc. or otherwise as you may direct, for (i) an amount equal to the offering price less the selling concession to dealers in respect of the Shares to be purchased by us, or (ii) an amount equal to the offering price less the selling concession in respect of such of the Shares to be purchased by us as shall have been retained by or released to us for direct sale or (iii) the amount set forth or indicated in a telex to us, as you shall direct. You shall use such funds to make payment on our behalf to the Fund of the purchase price for our Shares. Any balance shall be held by you for our account. If you have not received our funds as requested, you may in your discretion make any such payment on our behalf and we will promptly deliver funds to you in the amount so requested. Any such payment by you will not relieve us from any of our obligations under this Agreement, the Agreement Between U.S. Underwriters and International Managers or under the International Underwriting Agreement. Unless we promptly give you written instructions otherwise, if transactions in the Shares may be settled through the facilities of The Depository Trust Company, payment for and delivery of Shares purchased by us will be made through such facilities, if we are a member, or, if we are not a member, settlement may be made through our ordinary correspondent who is a member.

We authorize you, in carrying out the provisions of this Agreement, in your discretion, to arrange loans for the account of one or more International Managers, severally and not

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jointly, to advance your funds for our account, charging current interest rates, to execute notes or other instruments in connection therewith, and to hold or pledge as security therefor all or any part of the Shares which you may be holding for our account. Any lender is hereby authorized to accept your instructions with respect to such loans, and we authorize you to execute and deliver notes or other instruments in connection therewith.

You shall promptly remit to us or credit to our account (i) the proceeds of any loan taken down on our behalf and (ii) upon payment to you

for any Shares sold for our account, an amount equal either to the purchase price paid by us or the price received by you therefor, as you may determine. We authorize you to receive payment of the commission of other compensation for our account.

We authorize you to take delivery of certificates for our Shares, registered as you may direct in order to facilitate deliveries, and to deliver any Shares reserved for us against sales. You will deliver to us certificates for our unreserved Shares and certificates for our reserved but unsold Shares as soon as practicable after the termination of the provisions referred to in Section 6.

Certificates for all other Shares which you then hold for our account shall be delivered to us upon termination of this Agreement, or prior thereto in your discretion, and certificates for any such Shares may at any time be delivered to us for carrying purposes only, subject to redelivery upon demand. If, upon termination of this Agreement, the aggregate of (i) International Shares which remain unsold, (ii) any Shares purchased for the accounts of the International Managers pursuant to the Agreement Between U.S. Underwriters and International Managers which remain unsold and (iii) any securities of the Fund that are held by you for the accounts of the several International Managers pursuant to the provision of Section 5 hereof represents not more than 15% of the International Shares, Baring Securities Inc. may, in its discretion, sell such securities at such prices as it may determine.

7. Indemnification and Certain Claims. Each International Manager, including yourselves, agrees to indemnify and hold harmless each of the other Underwriters and each person, if any, who controls any other Underwriter within the meaning of Section 15 of the Act or Section 20 of the Securities Exchange Act of 1934 (the "Exchange Act") and to reimburse their expenses, all to the extent, if any, and upon the terms that we agree to indemnify and hold harmless the Fund, its directors, its officers, each person, if any who controls the Fund within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, the Investment Manager, the Investment Adviser and

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the Sub-Adviser and to reimburse their expenses, as set forth in the Underwriting Agreements.

We agree that in respect of any matters connected with or action taken by you pursuant to this Agreement or the Agreement Between U.S.

Underwriters and International Managers you shall act only as agents of the International Managers and you shall be under no liability to us in any such respect or in respect of the form of, or the statements contained in, or the validity of, any preliminary offering circular or the Offering Circular, or any amendments or supplements to any of them, or for any report or other filing made by you for us on our behalf under this Agreement or the Agreement Between U.S. Underwriters and International Managers, except for want of good faith and for obligations expressly assumed by you herein and no obligations on your part will be implied or inferred from confirmation or acceptance of this Agreement or the Agreement Between U.S. Underwriters and International Managers.

We will pay our proportionate share (based on our international underwriting proportion) of (a) all expenses incurred by you in investigating or defending against any claim or proceeding which is asserted or instituted by any party (including any governmental or regulatory body) other than an Underwriter based upon the claim that the Underwriters constitute an association, unincorporated business or other separate entity, or relating to the Offering Circular (or any amendment or supplement thereto) or any preliminary offering circular and (b) any liability incurred by you in respect of any such claim or proceeding, whether such liability shall be the result of a judgment or as a result of any settlement agreed to by you, other than any such liability as to which you actually receive indemnity pursuant to the first paragraph of this Section 7, Section 3 of the Agreement Between U.S. Underwriters and International Managers or pursuant to this Section 10 or indemnity of contribution pursuant to the International Underwriting Agreement.

8. Termination and Settlement. This Agreement shall terminate (i) on the thirtieth business day after the initial offering of the Shares, (ii) on such earlier date as you may determine or (iii) on the termination of the International Underwriting Agreement if the International Underwriting Agreement shall be terminated as permitted by its terms; provided that the International Representatives may in their discretion extend this Agreement for a further period or periods not exceeding an aggregate of 30 days. You may at your discretion, on notice to us prior to the termination of this agreement, terminate or suspend the effectiveness of Sections 4 and 5 hereof or any part of them or alter any of the terms or conditions of offering determined pursuant to Section 4 hereof. No termination or suspension pursuant to this Section shall affect your authority under Section 5 hereof to cover any short position under this Agreement.

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Upon termination of this Agreement, all authorizations, rights

and obligations hereunder shall cease, except (i) the mutual obligations to settle accounts hereunder, (ii) our obligation to pay any transfer taxes which may be assessed and paid on account of any sales hereunder for our account, (iii) our obligations with respect to purchases which may be made by you from time to time thereafter to cover any short position incurred under this Agreement, (iv) our agreements contained in the first and third paragraphs of Section 7 hereof and (v) the obligations of any defaulting International Manager, all of which shall continue until fully discharged.

The accounts arising pursuant to this Agreement shall be settled and paid as soon as practicable after termination, except that you may reserve such amount as you deem advisable to cover any additional contingent expenses.

You are authorized at any time:

(a) To make partial distributions of credit balances or call for the payment of debit balances.

(b) To determine the amounts to be paid to or by us, which determination will be final and conclusive.

(c) As compensation for your services in connection with this Agreement, to charge our account and pay to yourselves, when final accounting is made, an amount per International Share to be determined by you (not to exceed 25% of the International Managers' gross spread per International Share) for each International Share which we have agreed or shall become committed to purchase from the Fund.

(d) To charge our account with (i) all transfer taxes on sales made for our account and (ii) our international underwriting proportion of all expenses (other than transfer taxes) incurred by you, as International Representatives of the several International Managers, in connection with the transactions contemplated by this Agreement.

(e) To hold any of our funds at any time in your hands with your general funds without accountability for interest.

9. Default by Underwriters. Default by any Underwriter in respect of its obligations hereunder or under the Underwriting Agreement shall not release us from any of our obligations or in any way affect the liability of such defaulting Underwriter to the other Underwriters for damages resulting from such default. If one or more Underwriters default under the Underwriting Agreement, you may (but shall not

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be obligated to) arrange for the purchase by others, which may include yourselves or other non-defaulting Underwriters, of all or a portion of the Shares not taken up by the defaulting Underwriters.

If such arrangements are made, the respective numbers of Shares to be purchased by the non-defaulting International Managers and the amounts of Shares to be purchased by others, if any, shall be taken as the basis for all rights and obligations hereunder; but this shall not in any way affect the liability of any defaulting International Manager to the other International Managers for damages resulting from its default, nor shall any such default relieve any other International Manager of any of its obligations hereunder or under the Underwriting Agreement except as herein or therein provided. In addition, in the event of default by one or more Underwriters in respect of their obligations under the Underwriting Agreement to purchase the Shares agreed to be purchased by them thereunder and, to the extent that arrangements shall not have been made by you for any person to assume the obligations of such defaulting Underwriter or Underwriters, we agree to assume our proportionate share, based upon the proportion which the number of International Shares set forth opposite our name in Schedule II to the Underwriting Agreement bears to the aggregate number of Firm Shares set forth opposite the names of all non-defaulting Underwriters (subject to the limitations contained in the Underwriting Agreement), without relieving such defaulting Underwriter of its liability therefor.

In the event that any International Manager shall default in its obligations (i) pursuant to Section 3(e) or Section 5, (ii) to pay amounts owed by it pursuant to Section 8 or (iii) pursuant to the first or third Paragraph of Section 7, we will assume our proportionate share (determined on the basis of the international underwriting proportions of the non-defaulting International Managers) of such obligations, but no such assumption shall affect any obligation of any defaulting International Manager.

10. Distribution of Offering Circular. We are familiar with the applicable laws, rules and regulations governing the use and distribution of offering circulars by underwriters, and we confirm that we will comply therewith, to the extent applicable. You shall cause to be made available to us, to the extent made available to you by the Fund, such number of copies of the Offering Circular as we may reasonably request for purposes contemplated by such laws, rules and regulations.

To the extent consistent with such laws, rule and regulations, we confirm that we have delivered and agree that we will deliver all preliminary offering circulars and final Offering Circulars that would be required if Rule 15c2-8 (or any successor provision) under the Exchange Act applied to such offering.

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We will keep an accurate record of the names and addresses of all persons to whom we give copies of the Offering Circular or any preliminary offering circular (or any amendment or supplement thereto), and, when furnished with any subsequent offering circular, we will, upon your request, promptly forward copies thereof to such persons.

11. Miscellaneous. Nothing in this Agreement shall constitute us partners with you or with the other International Managers or with the U.S. Underwriters and the obligations of ourselves and of each of the other International Managers are several and not joint. Each International Manager elects to be excluded from the application of Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1986. Default by any International Manager with respect to the Underwriting Agreement shall not release us from any of our obligations thereunder or hereunder.

Any notice from you to us shall be deemed to have been given if mailed, telegraphed or hand delivered, or telephoned and subsequently confirmed in writing, to our address stated in the International Managers' Questionnaire which we have furnished to you.

We confirm that we are (a) a member in good standing of the NASD, (b) a Bank that is not a member of the NASD, or (c) a foreign bank, broker, dealer or other institution not eligible for membership in the NASD. If we are such a member, we agree that in making sales of Shares we will comply with all applicable rules of the NASD, including, without limitation, the NASD's Interpretation with Respect to Free-Riding and Withholding and Section 24 of Article III of the Rules of Fair Practice. If we are not a NASD member, we agree to comply as though we were a member with such Interpretation and Sections 8, 24 and 36 of Article III of the Rules of Fair Practice.

If we are a foreign bank, broker, dealer or other institution and we are not registered as a broker-dealer under Section 15 of the Exchange Act, we agree that while we are acting as an Underwriter in respect of the Shares and in any event during the term of this Agreement with respect to the offering of the Shares, we will not directly or indirectly effect in, or with persons who are nationals or residents of, the United States any transactions (except for the purchases provided for in the Underwriting Agreement and transactions contemplated by Sections 4, 6 and 7 hereof) in (i) Shares, or (ii) Common Stock of the Fund that may be exchanged for or converted into Common Stock. We agree to comply with Section 25 of Article III of the NASD's Rules of Fair Practice as it applies to a nonmember broker or dealer in a foreign

country. We agree that in selling Shares pursuant to any offering (which agreement shall also be for the benefit of the Fund or other seller of such Shares) we will comply with all applicable laws, rules and regulations, including the applicable provisions of

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the Act and the Exchange Act, the applicable rules and regulations of the Commission thereunder, the applicable rules and regulations of any securities exchange having jurisdiction over the offering and the applicable laws and regulations of any applicable regulatory body.

If we are a foreign bank or dealer, we represent that in connection with sales and offers to sell Shares made by us outside the United States (a) we will not offer or sell any Shares in any jurisdiction except in compliance with applicable laws and (b) we will either furnish to each person to whom any such sale or offer is made a copy of the then current preliminary prospectus, if any, or of the Prospectus (as then amended or supplemented), as the case may be, or inform such person that such preliminary prospectus, if any, or Prospectus will be available upon request. Any, offering material in addition to the then current preliminary prospectus or the Prospectus furnished by us to any person in connection with any offers or sales referred to in the preceding sentence (i) shall be prepared and so furnished at our sole risk and expense and (ii) shall not contain information relating to the Shares or the Fund which is inconsistent in any respect with the information contained in the then current preliminary prospectus, if any, or in the Prospectus (as then amended or supplemented), as the case may be. It is understood that no action has been taken by you or the Fund or any seller of the Shares to permit a public offering in any jurisdiction other than the United States where action would be required for such purpose.

We confirm that our commitment to purchase Shares pursuant to the International Underwriting Agreement or the Agreement Between U.S. Underwriters and International Managers will not result in a violation of any applicable rules of any securities exchange to which we are subject or of any restriction imposed upon us by any such exchange or any governmental authority.

This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

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This Agreement is being executed by us and delivered to you in duplicate. Please indicate your receipt of identical agreements from each of the other International Managers by confirming this Agreement, whereupon it shall constitute a binding agreement between us.

Very truly yours,

International Manager

(As attorney-in-fact for each of the several International Managers named in Schedule I of the International Underwriting Agreement)

Acknowledged and Accepted
as of the date first above
mentioned

BARING BROTHERS & CO., LIMITED
DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION
LUCKY SECURITIES INTERNATIONAL LTD.
SSANGYONG SECURITIES EUROPE LIMITED

As International Representatives
of the several International Managers

By: BARING BROTHERS & CO., LIMITED

By:

October , 1994

Baring Brothers & Co., Limited
1 America Square
London EC3N 2LT, England

Attention: Syndicate Department

Dear Sirs:

INTERNATIONAL SELLING AGREEMENT

In connection with the proposed public offering to non-U.S. and non-Canadian investors outside the United States and Canada by Fidelity Advisor Korea Fund, Inc. (the "Company") of Common Stock, $.001 par value, which public offering is to be underwritten by you and by other Underwriters represented by you, Donaldson, Lufkin & Jenrette Securities Corporation, Lucky Securities International Ltd. and SsangYong Securities Europe Limited, we may be offered the right to purchase a portion of such securities, as principal, from you and from such other International Managers. Annex 1 to this letter sets forth the general terms and conditions applicable to any such purchases where you are responsible for reservations of securities for sale to dealers and expressly inform us that such terms and conditions shall be applicable to any such purchases where you are responsible for reservations of securities for sale to dealers and expressly inform us that such terms and conditions shall be applicable to such transactions by dealers. Our acceptance of any reservation of any such securities shall constitute acceptance of and agreement to such terms and conditions, together with and subject to any additional or supplementary terms and conditions communicated to us in connection with any specific transaction, and shall constitute a binding agreement between ourselves and the several Underwriters of such securities.

In addition, the Rules of Fair Practice of the National Association of Securities Dealers, Inc. require that you obtain our agreement to comply with certain of such Rules as a condition to the allowance by you of certain concessions or portions thereof, whether or not you are responsible for reservations for sale of securities to dealers. Accordingly, the provisions of Paragraph 10 of the general terms and conditions attached as Annex 1 to this letter shall be deemed to apply to purchases from you of securities which are part of a "fixed price offering" within the meaning of such Rules.

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We acknowledge the foregoing procedure by signing this letter.

Very truly yours,

By: _____

Name:
Title:

DRAFT 9/26/94

Annex 1

GENERAL TERMS AND CONDITIONS OF
DEALERS' PARTICIPATION IN UNDERWRITTEN PUBLIC OFFERINGS
MANAGED BY BARING BROTHERS & CO., LIMITED

1. GENERAL. In connection with public offerings of securities ("Securities") underwritten by underwriters ("Underwriters") represented by Baring Brothers & Co., Limited alone or in conjunction with other firms ("Representatives"), the Underwriters may severally offer to one or more securities dealers ("Dealers") the right to purchase, as principals, from the Underwriters a portion of the Securities, subject to the receipt and acceptance thereof by the Underwriters and subject to the terms and conditions set forth (a) herein, (b) in the prospectus relating to the offering of the Securities and (c) in any letter and/or telegram sent to Dealers in connection with an offer to Dealers; provided, however, that the terms and conditions herein set forth shall be applicable only to offerings where Baring Brothers & Co., Limited is responsible for reservations of Securities for sale to Dealers and have expressly informed Dealers that such terms and conditions shall be applicable.

2. BASIS OF OFFER. The offer to Dealers is to be made on the basis of a reservation of Securities and an allotment against subscriptions as set forth in the letter and/or telegram referred to in clause (c) of Paragraph 1 hereof. Dealers to whom an offer is to be made will be notified by telegram of the method and terms of offering, the time of the release of Securities for sale to the public, the initial public offering price, the selling concession, the portion of the selling concession allowable to certain Dealers (the "Reallowance"), the time at which books will be opened, the amount, if any, of Securities reserved for purchase by Dealers, and the period of such reservation (the "Invitation"). Subscriptions may be closed at any time without notice, and the right is reserved to reject any subscription in whole or in part, but notification of allotments against and rejections of subscriptions will be made as promptly as practicable.

3. OFFERING MATERIALS. (a) You understand if registration of the offer and sale of the Securities as contemplated by the Underwriting Agreement is required under the Securities Act of 1933, as amended (the "Act"), the Representatives will, at your request, make available to you, as soon as practicable after sufficient quantities thereof are made available to them by the Company, copies of the prospectus or supplemented prospectus (excluding any documents incorporated by reference therein) to be used in connection with the offering of the Securities in such number as you may reasonably request. As used herein "Prospectus" means the form of prospectus (including any supplements and any documents incorporated by reference therein) authorized for use in connection with such offering.

(b) You understand that if the offer and sale of the Securities are exempt from the registration requirements of the Act, no registration statement will be filed with the Securities and Exchange Commission (the "Commission"). In such case, the Representatives will, at your request, make available to you, as soon as practicable after sufficient quantities thereof are made available to them by the Company, copies in such number as you may reasonably request of any final offering circular or other offering materials to be used in connection with the offering of the Securities. As used herein, "Offering Circular" means the offering circular or other offering materials, as it or they may be amended or supplemented, authorized for use in connection with such offering. The Prospectus or Offering Circular, as the case may be, relating to an offering of Securities is herein referred to as the "Offering Document".

(c) You agree that in purchasing Securities you will rely upon no statement whatsoever, written or oral, other than the statements in the Offering Document delivered to you by the Representatives and any documents incorporated by reference therein. You understand that you are not authorized to give any information or make any representation not contained in the Offering Document or in any document incorporated by reference therein, in connection with the offering of the Securities. Your purchase of Securities shall constitute our agreement that, if requested by the Representatives, you will furnish a copy of any amendment or supplement to any preliminary or final Offering Document to each person to whom you have furnished a previous preliminary or final Offering Document. Your purchase of Securities registered under the Act shall constitute our confirmation that you have delivered, and your agreement that you will deliver, all preliminary and final Prospectuses required for compliance with Rule 15c2-8 (or any successor provision) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Your purchase of securities exempt from registration under the Act shall constitute (i) your confirmation that you have delivered, and your agreement that you will deliver, all preliminary and final Offering Circulars required for compliance with the applicable laws and the applicable rules and regulations of any regulatory body promulgated thereunder governing the use and distribution of offering circulars by underwriters, and (ii) to the extent consistent with such laws, rules and regulations, your confirmation that you have delivered and your agreement that you will deliver all preliminary and final Offering Circulars that would be required if Rule 15c2-8 (or any successor provision) under the Exchange Act applied to such offering.

4. OFFERING OF THE SECURITIES. (a) The offering of the Securities is made subject to the conditions referred to in the Offering Document and to the terms and conditions set forth in this Agreement. After the public offering of the Securities has commenced, we may change the public offering price, the selling concession and the reallowance to dealers. Any of the Securities purchased by you pursuant to this Agreement are to be

reoffered by you, subject to their receipt and acceptance by the Representatives, to the public at the initial public offering price, subject to the terms of this Agreement and the Offering Document. Except as otherwise provided herein, the Securities shall not be offered or sold by you below the initial public offering price before the termination of the effectiveness of this Agreement with respect to the offering of such Securities, except that a reallowance from the initial public offering price of not in excess of the amount set forth in the Invitation may be allowed to any Dealer that (i) agrees

that such amount is to be retained and not reallowed in whole or in part, (ii) makes the representations contained in Section 11, and (iii) unless the Securities are "exempted securities" as defined in Section 3(a)(12) of the Exchange Act, is not a "bank" as defined in Section 3(a)(6) of the Exchange Act (a "Bank").

(b) The Representatives as such, and with the Representatives' consent, any Underwriter may buy Securities from, or sell Securities to, any of the Dealers or any of the Underwriters, and any Dealer may buy Securities from, or sell Securities to, any other Dealer or Underwriter, at the initial public offering price less all or any part of the concession to Dealers.

(c) If you have received or been credited with the Dealers' concession as to any Securities purchased by you pursuant to this Agreement, which, prior to the later of (i) the termination of the effectiveness of this Agreement with respect to the offering of such Securities and (ii) the covering by the Representatives of any short position created by the Representatives in connection with the offering of such Securities, the Representatives may have purchased or contracted to purchase for the account of any Underwriter (whether such Securities have been sold or loaned by you), then you agree to pay the Representatives on demand for the accounts of the several Underwriters an amount equal to the Dealers' concession and, in addition, the Representatives may charge you with any broker's commission and transfer tax paid in connection with such purchase or contract to purchase. Securities delivered on such repurchases need not be the identical Securities originally purchased. With respect to any such repurchased Securities as to which you have not yet received or been credited with the Dealers' concession, you shall be responsible for any such broker's commission and transfer tax and the Representatives shall not be obligated to pay any Dealers' concession as to such Securities.

(d) No expenses shall be charged to Dealers. A single transfer tax upon the sale of the Securities by the respective Underwriters to you will be paid by such Underwriters when such Securities are delivered to you. However, you shall pay any transfer tax on sales of Securities by you and shall pay your proportionate share of any transfer tax or other tax (other than the single transfer tax described above) in the event that any

such tax shall from time to time be assessed against us and other Dealers as a group or otherwise.

5. DELIVERY AND PAYMENT. Unless advised otherwise, Securities purchased by you hereunder shall be paid for in full at the public offering price, or, if so advised by the Representatives, at the public offering price less the Dealers' concession, at the offices of Baring Brothers & Co., Limited, 667 Madison Avenue, New York, New York 10021, at such time and on such day as the Representatives advise, by certified or official bank check payable in New York Clearing House funds to the order of Baring Securities Inc. against delivery of the Securities. If you are called upon to pay the public offering price for the Securities purchased by you, the applicable concession will be paid to you upon termination of this Agreement with respect to the offering of such Securities.

Each Dealer which is a member of The Depository Trust Company authorizes Baring Brothers & Co., Limited, in its discretion, to arrange for delivery of Securities to such Dealer and for payment therefore by and to such Dealer through the facilities of The Depository Trust Company.

6. SELLING REPRESENTATIONS. You represent and agree that, except for (x) sales between the U.S. Underwriters and the International Managers pursuant to the Agreement Between U.S. Underwriters and International Managers and (y) stabilization transactions contemplated in Section 7 hereof conducted through the U.S. Representatives as part of the distribution of the Shares, (a) we are not purchasing and have not purchased and will not purchase any of the Shares for the account of any United States or Canadian Person and (b) we have not offered or sold, and will not offer or sell, resell or deliver, directly or indirectly, any of the Shares or distribute any prospectus relating to the Shares, in the United States or Canada or to any United States or Canadian Person and any dealer to whom we may sell any of the Shares will represent that it is not purchasing any of the Shares for the account of any United States or Canadian Person and will agree that it will not offer or resell such Shares directly or indirectly in the United States or Canada or to any United States or Canadian Person or to any other dealer who does not so represent and agree.

"United States or Canadian Person" shall mean any individual who is resident in the United States or Canada, or any corporation, pension, profit-sharing or other trust or other entity organized under or governed by the laws of the United States or Canada or of any political subdivision thereof (other than the foreign branch of any United States or Canadian Person), and shall include any United States or Canadian branch of a person other than a United States or Canadian Person. "United States" shall mean the United States of America (including the District of Columbia), its territories, its possessions and all areas subject to its jurisdiction. Our agreement set forth in

this paragraph shall terminate upon the earlier of (a) notice from you to such effect and (b) 45 days after the date of the initial offering of the Shares, unless you have given notice that the distribution of the Shares has not yet been completed. If such latter notice is given, the agreement set forth in this paragraph shall survive until the earlier of (x) the notice of termination referred to in (a) above and (y) 45 days after the date of any notice that the distribution of the Shares has not yet been completed.

We further represent that we have not offered or sold, and agree not to offer or sell, resell or deliver, directly or indirectly, in Japan or to or for the account of any resident thereof, any of the Shares acquired in connection with the distribution contemplated hereby, except for offers or sales to Japanese International Managers or dealers and except pursuant to an exemption from the registration requirements of the Securities and Exchange Law of Japan and otherwise in compliance with applicable provisions of Japanese law. We further agree to send to any dealer who purchases from us any of such Shares a notice stating in substance that, by purchasing such Shares, such dealer represents and agrees that it has not offered or sold, and will not offer or sell, any of such Shares, directly or indirectly, in Japan or to or for the account of any resident thereof except pursuant to an exemption from the registration requirements of the Securities and Exchange Law of Japan and otherwise in compliance with applicable provisions of Japanese law, and that such dealer will send to any other dealer to whom it sells any of such Shares a notice containing substantially the same statement as is contained in this sentence.

We further represent and agree that (i) we have not offered or sold and will not offer or sell any Shares in the United Kingdom by means of any document any Shares other than to persons whose ordinary business it is to buy or sell shares or debentures, whether as principal or agent (other than in circumstances which do not constitute an offer to the public within the meaning of the Companies Act 1985 of Great Britain); (ii) we have complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by us in relation to the Shares in, from or otherwise involving the United Kingdom; and (iii) we have only issued or passed on and will only issue or pass on in the United Kingdom any document received by us in connection with the issue of the Shares, other than any document which consists of or of part of listing particulars, supplementary listing particulars or any other document required or permitted to be published by listing rules under Part IV of the Financial Services Act 1986, to any person of a kind described in Article 9(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1988, or to any person to whom the document may otherwise lawfully be issued or passed on.

7. STABILIZATION AND OVER-ALLOTMENT. The Representatives may, with respect to any offering of Securities, be authorized to over-allot, to purchase and sell Securities for long or short account and to stabilize or maintain the market price of the Securities. You agree that upon the Representatives' request at any time and from time to time prior to the termination of the effectiveness of this Agreement with respect to an offering of Securities, you will report the amount of Securities purchased by you pursuant to such offering which then remain unsold by you and will, upon the Representatives' request at any such time sell to the Representatives for the account of one or more Underwriters such amount of such unsold Securities as the Representatives may designate at the initial public offering price less an amount to be determined by the Representatives not in excess of the Dealers' concession.

8. OPEN MARKET TRANSACTIONS. Unless the Securities are "exempted securities" as defined in Section 3(a)(12) of the Exchange Act, you agree not to bid for, purchase, attempt to induce others to purchase, or sell, directly or indirectly, any Securities, any other securities of the Company of the same class and series as the Securities and any other securities of the Company which the Representatives may designate, except as brokers pursuant to unsolicited orders and as otherwise provided in this Agreement. If the Securities are or include common stock or securities convertible into common stock and the Securities are not "exempted securities" as defined in Section 3(a)(12) of the Exchange Act, you also agree not to effect or attempt to induce others to effect, directly or indirectly, any transactions in or relating to put or call options on any stock of the Company, except to the extent permitted by Rule 10b-6 under the Exchange Act as interpreted by the Commission.

9. TERMINATION. The provisions of Paragraph 3 hereof shall terminate in respect of any offering of Securities at the close of business on the forty-fifth full business day after the Securities are released by the Representatives for sale to the public, unless extended by the Representatives to not later than the close of business on the fifteenth full business day thereafter, but may be terminated by the Representatives at any time by telegraphic notice sent to Dealers. Notwithstanding any distribution and settlement of accounts, Dealers shall be liable for their proper proportion of any transfer tax or other liability which may be asserted against the Representatives or any of the Underwriters or Dealers based upon the claim that the Dealers, or any other of them, constitute a partnership, an association, an unincorporated business or other separate entity.

10. NASD REPRESENTATIONS. You represent that you are (a) a member in good standing of the NASD, (b) a Bank that is not a member of the

NASD, or (c) a foreign bank, broker, dealer or other institution not eligible for membership in the NASD. If you are such a member, you agree that in making sales of Securities you will comply with all applicable rules of the NASD,

including, without limitation, the NASD's Interpretation with Respect to Free-Riding and Withholding and Section 24 of Article III of the Rules of Fair Practice. If you are not a NASD member, you agree to comply as though you were a member with such Interpretation and Sections 8, 24 and 36 of Article III of the Rules of Fair Practice. If you are such a foreign bank, broker, dealer or other institution, you agree not to offer or sell any Securities in the United States of America except through the Representatives and in making sales of Securities you agree to comply with Section 25 of Article III of the NASD's Rules of Fair Practice as it applies to a nonmember broker or dealer in a foreign country. If you are such a foreign bank, you represent that, unless Baring Brothers & Co., Limited is otherwise notified in writing prior to the date hereof, you are not an entity covered in (i), (ii) or (iii) of the last paragraph of Section 5. If you are a Bank, in connection with the public offering of any Securities that do not constitute "exempted securities" within the meaning of Section 3(a)(12) of the Exchange Act you agree that you will not purchase any Securities at a discount from the offering price from any Underwriter or Dealer or otherwise accept any selling concession to Dealers, discount or other allowance from any Underwriter or Dealer, which in any such case is not permitted under the NASD's Rules of Fair Practice and you agree to comply with Section 25 of Article III of the NASD's Rule of Fair Practice as though you were a member. You agree that in selling Securities pursuant to any offering (which agreement shall also be for the benefit of the Company or other seller of such Securities) you will comply with all applicable laws, rules and regulations, including the applicable provisions of the Act and the Exchange Act, the applicable rules and regulations of the Commission thereunder, the applicable rules and regulations of any securities exchange having jurisdiction over the offering and in the case of an offering referred to in Section 4(b) hereof the applicable laws and regulations of any applicable regulatory body.

11. MISCELLANEOUS. (a) The Representatives are acting as representatives of each of the Underwriters in all matters connected with the offering of the Securities and with the Underwriters' purchase of the Securities. Any action to be taken, authority that may be exercised or determination to be made by the Representatives hereunder may be taken, exercised or made by Baring Brothers & Co., Limited on behalf of all Representatives. The rights and liabilities of each Underwriter of Securities and each Dealer shall be several and not joint.

(b) The Representatives, as such, shall have full authority to take such action as they may deem advisable in all matters pertaining to the offering of the Securities or arising under this Agreement. The Representatives will have no liability to any Dealer for any act or omission except for obligations expressly assumed by the Representatives herein, and no obligations on the part of the Representatives will be implied hereby or inferred herefrom.

(c) You understand and agree that you are to act as principal in purchasing Securities and you are not authorized to act as agent for the Company, any selling securityholder or any of the Underwriters in offering the Securities to the public or otherwise.

(d) Nothing herein contained shall constitute us an association, or partners, with the other Dealers, the Underwriters or Representatives, or, except as otherwise provided herein, render us liable for the obligations of any other Dealers, the Underwriters or the Representatives. If the Dealers among themselves or with the Underwriters or the Representatives are deemed to constitute a partnership for Federal income tax purposes, then each Dealer elects to be excluded from the application of Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1986, as amended, and agrees not to take any position inconsistent with such election. The Representatives are authorized, in their discretion, to execute on behalf of the Dealer such evidence of such election as may be required by the Internal Revenue Service.

(e) Neither the Representatives nor any Underwriter shall be under any liability (except for their own want of good faith) for or in respect of the validity or value of, or title to, any Securities; the form of, or the statements contained in, or the validity of, any registration statement, any preliminary prospectus, the prospectus, preliminary offering circular, the offering circular, or any amendment or supplement thereto, any document which may be incorporated by reference therein, or any letters or instruments executed by or on behalf of the issuer or seller of the Securities or others; the form or validity of the agreement for the purchase of the Securities, the Agreement Among International Managers or the instrument containing the terms and conditions of the Securities; the delivery of the Securities; the performance by the issuer or seller of the Securities or others of any agreement on its or their part; the qualifications of the Securities for sale or the legality of the Securities for investment under the laws of any jurisdiction; or any matter in connection with any of the foregoing; provided,

however, that nothing in this paragraph shall be deemed to relieve the Representatives or any Underwriter from any liability imposed by the Securities Act of 1933, as amended.

(f) Dealers, by their participation, represent that neither they nor any of their directors, officers, partners or "persons associated with" them (as defined in the By-Laws of the NASD) nor, to their knowledge, any "related person" (as defined by the NASD in its Interpretation with respect to the Review of Corporate Financing, as amended) has participated or intends to participate in any transaction or dealing as to which documents or information are required to be filed with the NASD pursuant to such Interpretation or its Statement of Policy Concerning Venture Capital and Other Investments, as amended, and as to which such

documents or information have not been so filed in a timely manner.

The arrangements of which these terms and conditions form a part shall be construed in accordance with the laws of the State of New York.

Dated: October , 1994

DRAFT 10/19/94

AGREEMENT BETWEEN U.S. UNDERWRITERS AND INTERNATIONAL MANAGERS

October ___, 1994

To each of the Underwriters named in
Schedule I to each of the Underwriting
Agreements referred to below.

Dear Sirs:

We understand that Fidelity Advisor Korea Fund, Inc. (the "Fund"), Fidelity Management & Research Company (the "Investment Manager"), Fidelity International Investment Advisers (the "Investment Adviser") and Fidelity Investments Japan Limited (the "Sub-Adviser"), confirm that the Fund has entered into an underwriting agreement (the "U.S. Underwriting Agreement") with Baring Securities Inc., Donaldson, Lufkin & Jenrette Securities Corporation, Dillon, Read & Co. Inc., Legg Mason Wood Walker, Incorporated, Rauscher Pierce Refsnes, Inc. and Raymond James & Associates, Inc., as representatives (the "U.S. Representatives") of the U.S. underwriters named in Schedule I thereto (the "U.S. Underwriters") and (ii) an underwriting agreement (the "International Underwriting Agreement") with Baring Brothers & Co., Limited, Donaldson, Lufkin & Jenrette Securities Corporation, Lucky Securities International Ltd. and SsangYong Securities Europe Limited, as representatives (the "International Representatives") of the international managers named in Schedule I thereto (the "International Managers" and, together with the U.S. Underwriters, the "Underwriters"), pursuant to which the several Underwriters have agreed to purchase from the Fund an aggregate of _____ shares of Common Stock, par value $0.001 per share of the Fund ("Common Stock"). In addition, the Fund has granted the U.S. Underwriters options to purchase up to _____ additional shares of Common Stock (the "Additional Shares"). The U.S. Underwriting Agreement and the International Underwriting Agreement are collectively referred to herein as the Underwriting Agreements. All shares of Common Stock to be purchased by the U.S. Underwriters, including any Additional Shares, and the International Managers under the Underwriting Agreements are herein referred to as the U.S. Shares and the International Shares, respectively. The U.S. Shares and the International Shares are collectively referred to herein as the Shares.

1. The U.S. Underwriters, acting through the U.S.

Representatives and the International Managers, acting through the International Representatives, agree that, in order to

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provide an orderly marketing effort for the offering, they will consult with each other as to the availability of the Shares for sale to the public, from time to time, until the earlier of (a) notice from the U.S. Representatives to the U.S. Underwriters of the completion of the distribution of the U.S. Shares and (b) notice from the International Representatives to the International Managers of the completion of the distribution of the International Shares. From time to time as mutually agreed among the U.S. Underwriters and the International Managers, acting through the U.S. Representatives and the International Representatives, respectively, the Underwriters may purchase and sell among each other such number of Shares to be purchased pursuant to the Underwriting Agreements as may be so mutually agreed.

Unless otherwise determined by mutual agreement of the Representatives, the price and currency of settlement of any Shares so purchased or sold shall be the public offering price, in U.S. dollars, less an amount not greater than the concession to dealers. Settlement with respect to any Shares transferred hereunder prior to the Closing Date (as defined in the Underwriting Agreements) shall be made on the Closing Date, and in the case of purchases and sales made thereafter, as promptly as practicable but in no event later than five business days after the transfer date. Certificates representing the Shares so purchased shall be delivered on the respective settlement dates. The liability of the Underwriters under the Underwriting Agreements for payment of the purchase price of the Shares purchased thereunder shall not be affected by the provisions of this Agreement.

The obligations of each U.S. Underwriter in respect of any purchase or sale of Shares under this Section 1 by the U.S. Underwriters shall be pro rata in accordance with the proportion of the total number of U.S. Shares that such U.S. Underwriter is obligated to purchase from the Fund pursuant to the U.S. Underwriting Agreement. The obligations of each International Manager in respect of any purchase or sale of Shares under this Section 1 by the International Managers shall be pro rata in accordance with the proportion of the total number of International Shares that such International Manager is obligated to purchase from the Fund pursuant to the International Underwriting Agreement.

2. Each of the Underwriters represents that it is (i) a member in good standing of the U.S. National Association of Securities Dealers,

Inc. (the "NASD") (ii) a bank that is not a member of the NASD, or (iii) a foreign bank, broker, dealer or other institution not eligible for membership in the NASD. In making sales of Shares, if it is such a member, such Underwriter agrees to comply with all applicable rules of the NASD, including, without limitation, the NASD's Interpretation with Respect to Free-Riding and Withholding and Section 24 of Article III of the NASD's Rules of Fair Practice. If such Underwriter is

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not a member of the NASD, it agrees to comply with such Interpretation and Sections 8, 24 and 36 of such Article as though it were such a member. If such Underwriter is a foreign bank, broker, dealer or other institution not eligible for membership, it agrees not to offer or sell any Shares in the United States except through the U.S. Representatives and in making such sales of Shares it agrees to comply with Section 25 of such Article as it applies to a nonmember broker or dealer in a foreign country.

3. Each U.S. Underwriter represents and agrees that, except for (x) sales between the U.S. Underwriters and the International Managers pursuant to Section 1 of this Agreement and (y) stabilization transactions contemplated in Section 4 hereof conducted through the U.S. Representatives as part of the distribution of the Shares, (a) it is not purchasing any of the Shares for the account of anyone other than a United States or Canadian Person (as defined below) and (b) it has not offered or sold, and will not offer or sell, resell or deliver, directly or indirectly, any of the Shares or distribute any prospectus relating to the U.S. Shares outside the United States or Canada or to anyone other than a United States or Canadian Person, and any dealer to whom it may sell any of the Shares will represent that it is not purchasing any of the Shares for the account of anyone other than a United States or Canadian Person and will agree that it will not offer or resell such Shares, directly or indirectly, outside the United States or Canada or to anyone other than a United States or Canadian Person or to any other dealer who does not so represent and agree.

Each International Manager represents and agrees that, except for (x) sales between the U.S. Underwriters and the International Managers pursuant to section 1 of this Agreement and (y) stabilization transactions, contemplated in Section 4 of this Agreement, conducted through the U.S. Representatives as part of the distribution of the Shares, (a) it is not purchasing any of the Shares for the account of any United States or Canadian Person and (b) it has not offered or sold, and will not offer or sell, resell or deliver, directly or indirectly, any of the Shares or distribute any

offering circular relating to the International Shares in the United States or Canada or to any United States, or Canadian Person, and any dealer to whom it may sell any of the International Shares will represent that it is not purchasing any of the International Shares for the account of any United States or Canadian Person and will agree that it will not offer or resell such International Shares, directly or indirectly, in the United States or Canada or to any United States or Canadian Person or to any other dealer who does not so represent and agree.

With respect to any Underwriter which is both a U.S. Underwriter and an International Manager, the foregoing representations and agreements (i) made by it in its capacity as a U.S. Underwriter shall apply only to Shares purchased by it in

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its capacity as a U.S. Underwriter, (ii) made by it in its capacity as an International Manager shall apply only to Shares purchased by it in its capacity as an International Manager and (iii) shall not restrict its ability to distribute either any prospectus relating to the U.S. Shares to any United States or Canadian Person or any offering circular relating to the International Shares to any non-United States or non-Canadian Person. "United States or Canadian Person" shall mean any individual who is resident in the United States or Canada, or any corporation, pension, profit-sharing or other trust or other entity organized under or governed by the laws of the United States or Canada or of any political subdivision thereof (other than the foreign branch of any United States or Canadian Person), and shall include any United States or Canadian branch of a person other than a United States or Canadian Person. "United States" shall mean the United States of America (including the District of Columbia), its territories, its possessions and all areas subject to its jurisdiction.

The agreements of the Underwriters set forth in the first and second paragraphs of this Section 3 shall terminate upon the earlier of (a) the mutual agreement of the U.S. Representatives and the International Representatives and (b) 30 days after the date hereof, unless the U.S. Representatives or the International Representatives shall have given notice to the other to the effect that the distribution of the Shares by the U.S. Underwriters or the International Managers, as the case may be, has not yet been completed. If such notice is given, the agreements set forth in such preceding paragraphs shall survive until the earlier of (x) the mutual agreement referred to in the preceding sentence and (y) 30 days after the date of any such notice.

Each U.S. Underwriter represents that it has not offered or sold, and agrees not to offer or sell, resell or deliver, any Shares, directly or indirectly, in Canada in contravention of the securities laws of Canada or any province or territory thereof and, without limiting the generality of the foregoing, represents that any offer of Shares in Canada will be made only pursuant to an exemption from the requirement to file a prospectus in the province or territory of Canada in which such offer is made. Each U.S. Underwriter further agrees to send to any dealer who purchases from it any of the Shares a notice stating in substance that, by purchasing such Shares, such dealer represents and agrees that it has not offered or sold, and will not offer or sell, directly or indirectly, any of such Shares in Canada or to, or for the benefit of, any resident of Canada in contravention of the securities laws of Canada or any province or territory thereof and that any offer of Shares in Canada will be made only pursuant to an exemption from the requirement to file a prospectus in the province of Canada in which such offer is made, and that such dealer will deliver to any other dealer to whom it sells any of such Shares a notice containing substantially the same statement as is contained in this sentence.

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The Underwriters understand that no action has been or will be taken in any jurisdiction by the Underwriters or the Fund that would permit a public offering of the Shares, or possession or distribution of the Prospectus (as defined in the U.S. Underwriting Agreement) or Offering Circular (as defined in the International Underwriting Agreement), in preliminary or final form, in any jurisdiction where, or in any circumstances in which, action for that purpose is required, other than the United States.

Each International Manager agrees that it will comply with all applicable laws and regulations, and make or obtain all necessary filings, consents or approvals, in each jurisdiction in which it purchases, offers, sells or delivers Shares (including, without limitation, any applicable requirements relating to the delivery of the offering circular, in preliminary or final form), in each case at its own expense. In connection with sales of and offers to sell Shares made by it, such International Manager will either furnish to each person to whom any such sale or offer is made a copy of the then current offering circular (in preliminary or final form and as then amended or supplemented if the Fund shall have furnished any amendments or supplements thereto), or inform such person that such offering circular, in preliminary or final form, will be made available upon request. Any offering material in addition to the offering circular furnished by us to any person in

connection with any offers or sales referred to in the preceding sentence (i) shall be prepared and so furnished at our sole risk and expense and (ii) shall not contain any information relating to the Shares or the Fund which is inconsistent in any respect with the information contained in the offering circular (as then amended or supplemented).

Each International Manager further represents that it has not offered or sold, and agrees not to offer or sell, resell or deliver, directly or indirectly, in Japan or to or for the benefit of any resident thereof, any of the Shares acquired in connection with the distribution contemplated hereby, except for offers or sales to Japanese International Managers and except pursuant to an exemption from the registration requirements of the Securities and Exchange Law of Japan and otherwise in compliance with applicable provisions of Japanese law. Each International Manager further agrees to send to any dealer who purchases from it any of the Shares a notice stating in substance that, by purchasing such Shares, such dealer represents and agrees that it has not offered or sold; and will not offer or sell, any of such Shares, directly or indirectly, in Japan or to or for the account of any resident thereof except pursuant to an exemption from the registration requirements of the Securities and Exchange Law of Japan and otherwise in compliance with applicable provisions of Japanese law, and that such dealer will send to any other dealer to whom it sells any of such Shares a notice containing substantially the same statement as is contained in this sentence.

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Each International Manager further represents and agrees that (i) it has not offered or sold and will not offer or sell any Shares in the United Kingdom by means of any document any Shares other than to persons whose ordinary business it is to buy or sell shares or debentures, whether as principal or agent (other than in circumstances which do not constitute an offer to the public within the meaning of the Companies Act 1985 of Great Britain); (ii) it has complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to the Shares in, from or otherwise involving the United Kingdom; and (iii) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issue of the Shares to any person of a kind described in Article 9(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1988, or to any person to whom the document may otherwise lawfully be issued or passed on.

Each International Manager agrees to indemnify and hold harmless the Fund, the Investment Manager, the Investment Adviser, the

Sub-Adviser, each Underwriter and each person controlling the Fund or any Underwriter from and against any and all losses, claims, damages and liabilities (including fees and disbursements of counsel) arising from any breach by it of any of the provisions of paragraphs six, seven, eight and nine of this Section 3.

4. The overall direction and planning of the stabilization transactions contemplated herein shall be the responsibility of the U.S. Representatives and the International Representatives, who will consult with one another on a continual basis so that such stabilization transactions shall be conducted in accordance with such direction and planning as is mutually agreed upon.

All stabilization transactions shall be conducted only by Baring Securities Inc. and shall be conducted in compliance with any applicable laws and regulations. Baring Securities Inc. agrees to notify the Underwriters of the date of termination of stabilization.

The International Primary Marketing Association (IPMA) limits will not be complied with in connection with stabilization losses and expenses. All stabilization transactions, wherever executed, shall be for the respective accounts of the several Underwriters and shall be allocated among the U.S. Underwriters and the International Managers in the respective proportions that the number of U.S. Shares and International Shares purchased pursuant to the Underwriting Agreements (including, with respect to the U.S. Underwriters, the Additional Shares to the extent the over-allotment options are exercised by the U.S. Underwriters) bear to the total number of Shares purchased under the Underwriting Agreements. In no event shall the net commitment of any Underwriter resulting from such stabilization transactions,

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the over-allotments referred to in Section 5, and purchases and sales pursuant to Section 1 of this Agreement, for either long or short account, exceed 15% of the original underwriting commitment of such Underwriter under the Underwriting Agreements; provided that, in determining the net commitment of any U.S. Underwriter for short account, there shall be subtracted the maximum number of Additional Shares which such Underwriter is entitled to purchase under the U.S. Underwriting Agreement.

Each U.S. Underwriter agrees that it will not offer or sell, directly or indirectly, Shares to any person at less than the public offering price, other than to (i) the International Managers pursuant to Section 1

hereof or (ii) other U.S. Underwriters or to dealers who have entered into the U.S. Selling Agreement with Baring Securities Inc. and who have received a pricing wire from the U.S. Representatives with respect to this offering that, among other things, sets forth such dealer's agreement that it is not purchasing Shares for the account of any persons other than United States or Canadian Persons and that it will not offer or resell Shares outside the United States and Canada. Such sales to U.S. dealers and other U.S. Underwriters shall be made at a price that is not below the public offering price less the maximum permissible reallowance to be specified in the Prospectus. Each U.S. Underwriter agrees that prior to offering Shares to any dealer at the public offering price less the reallowance, it will either ascertain that such dealer has entered into such U.S. Selling Agreement and received such a pricing wire or make arrangements to ensure that such dealer will enter into such U.S. Selling Agreement and receive such a pricing wire.

Each International Manager represents that it has not offered or sold, and agrees that it will not offer or sell, directly or indirectly, Shares to any person at less than the offering price, other than to (i) U.S. Underwriters pursuant to Section 1 hereof or (ii) other International Managers or to dealers who have entered into the International Selling Agreement (the "International Dealers") with the International Representatives in the form of Exhibit C to the Agreement Among International Managers. Such sales to International Dealers and other International Managers shall be made in conformity with the provisions of Section 2 and at a price that is not below the public offering price less the maximum permissible reallowance to be specified in the Offering Circular. Each International Manager agrees that prior to offering Shares to any dealer at the public offering price less the reallowance, it will either ascertain that such dealer has entered into the International Selling Agreement or make arrangements to assure that such dealer will enter into the International Selling Agreement.

The agreements of the Underwriters set forth in the foregoing two paragraphs shall terminate upon the earlier of (a) the mutual agreement of the U.S. Representatives and the International Representatives and (b) 30 days after the date

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hereof, unless the U.S. Representatives or the International Representatives shall have given notice to the other to the effect that the distribution of the Shares by the U.S. Underwriters or the International Managers, as the case may be, has not yet been completed. If such notice is given, the agreements set forth in such preceding paragraphs shall survive until the earlier of (x) the

mutual agreement referred to in the preceding sentence and (y) 30 days after the date of any such notice.

Each Underwriter agrees that it will not, without the advance approval of the U.S. Representatives and the International Representatives, respectively, buy, sell, deal or trade in (i) any Common Stock, (ii) any security of the Fund convertible into Common Stock or (iii) any right or option to acquire or sell Common Stock or any security of the Fund convertible into Common Stock, for its own account or for the account of a customer, except (a) as provided in the Agreement Among International Managers, the Agreement Among U.S. Underwriters, this Agreement or in the Underwriting Agreements, (b) that it may convert any security of the Fund convertible into Common Stock owned by it and sell the Common Stock acquired upon such conversion and that it may deliver Common Stock owned by it upon the exercise of any option written by it as permitted by the provisions set forth herein, (c) in brokerage transactions on unsolicited orders which have not resulted from activities on its part in connection with the solicitation of purchases and which are executed by it in the ordinary course of its brokerage business and (d) that on or after the date of the initial public offering of the Shares, it may execute covered writing transactions in options to acquire Common Stock, when such transactions are covered by Shares, for the accounts of customers.

An opening uncovered writing transaction in options to acquire Common Stock for an Underwriter's account or for the account of a customer shall be deemed, for purposes of this Section 4, to be a sale of Common Stock which is not unsolicited. The term "opening uncovered writing transaction in options to acquire" as used above means a transaction in which the seller intends to become a writer of an option to purchase Common Stock which he does not own. An opening uncovered purchase transaction in options to sell Common Stock for an Underwriter's account or for the account of a customer shall be deemed, for purposes of this Section 4, to be a sale of Common Stock which is not unsolicited. The term "opening uncovered purchase transaction in options to sell" as used above means a transaction where the purchaser intends to become an owner of an option to sell Common Stock which he does not own.

Each Underwriter represents that it has not participated, since it was invited to participate in the offering of the Shares, in any transaction prohibited by this Section 4 and that it has at all times complied and agrees that it will at

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all times comply with the provisions of Rule 10b-6 and 10b-7 under the U.S.

Securities Exchange Act of 1934, as amended, applicable to this offering.

5. The U.S. Representatives and the International Representatives shall have responsibility with respect to any action which the U.S. Underwriters or the International Managers, as the case may be, may take to make over-allotments in arranging for sales of Shares.

The U.S. Underwriters and the International Managers shall be solely responsible for profits and losses arising from any action taken by them, respectively, in respect to over-allotments in arranging for the sale of Shares.

6. All expenses which constitute expenses of the underwriting and distribution of the Shares shall be allocated among the U.S. Underwriters and the International Managers in the respective proportions that the number of U.S. Shares and International Shares purchased by the U.S. Underwriters and International Managers under the Underwriting Agreements (including, with respect to the U.S. Underwriters, the Additional Shares to the extent the over-allotment options are exercised by the U.S. Underwriters) bear to the total number of Shares purchased under the Underwriting Agreements. Reimbursed expenses, if any, received by the U.S. Underwriters or the International Managers from the Fund shall be allocated among the U.S. Underwriters and the International Managers in the manner set forth in the preceding sentence. The financial consequences of any default by an Underwriter under Section 1 hereof shall be deemed to be a syndicate expense of the syndicate concerned but shall not relieve such Underwriter from liability for such default.

7. Changes in the offering price and in the concessions and reallowances to dealers will be made only upon the mutual agreement of the Underwriters, acting through the U.S. Representatives and the International Representatives, during the period referred to in the first sentence of Section 1 hereof. No such change shall be made in the offerings by the U.S. Underwriters or International Managers without the same change being concurrently made in the other offerings.

8. The Underwriters will keep one another fully informed of the progress of the offering of the Shares.

The agreements of the Underwriters contained in Section 2, the fifth through tenth paragraphs of Section 3, the last paragraph of Section 4 and Section 5 and Section 6 shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any termination of the Underwriting Agreements, (iii) any investigation made by or on behalf of any Underwriter or any person controlling any Underwriter or by or on behalf of the Fund, its officers or

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directors or any other person controlling the Fund or by or on behalf of the Investment Manager, the Investment Adviser or the Sub- Adviser or any other person controlling such the Investment Manager or the Investment Adviser and (iv) acceptance of and payment for any Shares.

9. This Agreement may be signed in counterparts, which together shall constitute one and the same instrument.

This Agreement shall be governed and construed in all respects in accordance with the laws of the State of New York.

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IN WITNESS WHEREOF, this Agreement has been executed as of the date and year first above written by the undersigned for themselves and for the Underwriters as set forth above.

BARING SECURITIES INC.
DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION
DILLON, READ & CO. INC.
COWEN & COMPANY
LEGG MASON WOOD WALKER,
INCORPORATED
RAUSCHER PIERCE REFSNES, INC.
RAYMOND JAMES & ASSOCIATES, INC.
Acting severally on behalf of
themselves and the several
U.S. Underwriters referred
to herein.

By: BARING SECURITIES INC.

By: _____

Title:

BARING BROTHERS & CO., LIMITED
DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION
LUCKY SECURITIES INTERNATIONAL LTD.
SSANGYONG SECURITIES EUROPE LIMITED
Acting on behalf of themselves
and the several International
Managers referred to herein.

By: BARING BROTHERS & CO., LIMITED

By:

Title:

[ROGERS AND WELLS LETTERHEAD]

October , 1994

Fidelity Advisor Korea Fund, Inc.
82 Devonshire Street
Boston, Massachusetts 02109

Ladies and Gentlemen:

We have acted as counsel for Fidelity Advisor Korea Fund, Inc., a Maryland corporation (the "Fund"), in connection with the organization of the Fund, its registration as a closed-end investment company under the Investment Company Act of 1940, as amended (the "1940 Act"), and the preparation and filing with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "1933 Act"), and the 1940 Act of a Registration Statement on Form N-2 (the "Registration Statement") relating to the proposed public offering by the Fund of up to shares of common stock, par value $0.001 per share (the "Shares") of the Fund.

In so acting, we have examined and relied upon originals or copies, certified or otherwise identified to our satisfaction, of such corporate records, documents, certificates and other instruments as in our judgment are necessary or appropriate to enable us to render the opinions expressed below. As to matters governed by the laws of the State of Maryland, we have relied on the opinion of Messrs. Piper & Marbury attached hereto.

Based upon the foregoing, and on such examination of law as we have deemed necessary, we are of the opinion that:

1. The Fund has been duly incorporated and is validly existing in good standing under the laws of the State of Maryland.

2. When the Shares have been offered and sold as contemplated in the Registration Statement and in accordance

with the terms of the U.S. Underwriting Agreement and the International Underwriting Agreement, each filed as an Exhibit to the Registration Statement, the Shares will be validly issued, fully paid and non-assessable.

We consent to the filing of this opinion with the Securities and Exchange Commission as an Exhibit to the Registration Statement and to the reference to this firm under the heading "Legal Matters" in the form of prospectus contained therein. In giving this consent, we do not admit that we are within the category of persons whose consent is required under Section 7 of the 1933 Act or the rules and regulations of the Securities and Exchange Commission thereunder.

Very truly yours,

ROGERS & WELLS

[SHIN AND KIM LETTERHEAD]

October , 1994

Fidelity Advisor Korea Fund, Inc.
82 Devonshire Street
Boston, MA 02109
U.S.A.

RE: FIDELITY ADVISOR KOREA FUND, INC.
SEC FILE NO. 33-81186

Ladies and Gentlemen:

We have acted as Korean counsel to Fidelity Advisor Korea Fund, Inc. in connection with the preparation and filing of a registration statement on Form N-2 (the "Registration Statement") relating to the offering of up to shares of common stock.

As such counsel, it is our opinion that the conclusions based on Korean tax law expressed under the heading "Taxation-Korean Taxes" in the Prospectus (the "Prospectus") contained in the Registration Statement are true and correct.

We consent to the use of this letter as an exhibit to the Registration Statement and to the reference to us in the Prospectus under the section captioned "Legal Matters". In giving our consent, we do not admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, or the Rules and Regulations of the Securities and Exchange Commission thereunder.

Sincerely yours,

/s/ SHIN & KIM

Shin & Kim

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in the Prospectus constituting part of this Pre-Effective Amendment No. 3 to the registration statement (Securities Act of 1933 No. 33-81186 and Investment Company Act of 1940 No. 811-8608) on Form N-2 of Fidelity Advisor Korea Fund, Inc. of our report dated October 21, 1994, relating to the financial statement of Fidelity Advisor Korea Fund, Inc. which appears in such Prospectus.

PRICE WATERHOUSE LLP
Boston, Massachusetts
October 21, 1994

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October , 1994

Fidelity Advisor Korea Fund, Inc.
82 Devonshire Street
Boston, Massachusetts 02109

Ladies and Gentlemen:

Fidelity Management & Research Company ("FMR") agrees to purchase 7,093 shares of Common Stock, par value $.001 per share (the "Shares"), of Fidelity Advisor Korea Fund, Inc. (the "Fund") at a price of $14.10 per share. FMR shall tender to the Fund the amount of $100,011 in full payment for the Shares.

FMR represents and warrants to the Fund that the Shares are being acquired for investment and not with a view to distribution thereof, and that FMR has no present intention to redeem or dispose of any of the Shares.

Very truly yours,

FIDELITY MANAGEMENT & RESEARCH COMPANY

By: Gary L. French
Title: Vice President

CUSTODIAN AGREEMENT

Dated as of: _____, 1994

Between

Fidelity Advisor Korea Fund, Inc.

and

The Chase Manhattan Bank, N.A.

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APPENDICES

Appendix "B" - Procedures Relating to Custodian's Security Interest

CUSTODIAN AGREEMENT

AGREEMENT made as of the ___ day of _____, 1994 between Fidelity Advisor Korea Fund, Inc. (the "Fund") and The Chase Manhattan Bank, N.A. (the "Custodian").

W I T N E S S E T H

WHEREAS, the Fund desires to appoint the Custodian as custodian in accordance with the provisions of the Investment Company Act of 1940 (the "1940 Act") and the rules and regulations thereunder, under the terms and conditions set forth in this Agreement, and the Custodian has agreed so to act as custodian.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

ARTICLE I
APPOINTMENT OF CUSTODIAN

The Fund hereby employs and appoints the Custodian as a custodian, subject to the terms and provisions of this Agreement. The Fund shall deliver to the Custodian, or shall cause to be delivered to the Custodian, cash, securities and other assets owned by the Fund from time to time during the term of this Agreement.

ARTICLE II
POWERS AND DUTIES OF CUSTODIAN

As custodian, the Custodian shall have and perform the powers and duties set forth in this Article II. Pursuant to and in accordance with Article IV hereof, the Custodian may appoint one or more Subcustodians (as hereinafter defined) to exercise the powers and perform the duties of the Custodian set forth in this Article II and references to the Custodian in this Article II shall include any Subcustodian so appointed.

Section 2.01. Safekeeping. The Custodian shall keep safely all cash, securities and other assets of the Fund delivered to the Custodian, and the Custodian shall, from time to time, accept delivery of cash, securities and other assets for safekeeping.

Section 2.02. Manner of Holding Securities.

(a) The Custodian shall at all times hold securities of the Fund either: (i) by physical possession of the share certificates or other instruments representing such securities in registered or bearer form; or (ii) in book-entry form by a Securities System (as hereinafter defined) in accordance with the provisions of Section 2.22 below.

(b) The Custodian shall at all times hold registered securities of the Fund in the name of the Custodian, the Fund or a nominee of either of them, unless specifically directed by Proper Instructions to hold such registered securities in so-called street name; provided that, in any event, all such securities and other assets shall be held in an account of the Custodian containing only assets of

the Fund, or only assets held by Custodian as a fiduciary or custodian for customers, and provided further, that the records of the Custodian shall indicate at all times the Fund or other customer for which such securities and other assets are held in such account and the respective interests therein.

Section 2.03. Security Purchases. Upon receipt of Proper Instructions (as hereinafter defined), the Custodian shall pay for and receive securities purchased for the account of the Fund, provided that payment shall be made by Custodian only upon receipt of the securities: (a) by the Custodian; (b) by a clearing corporation of a national securities exchange of which the Custodian is a member; or (c) by a Securities System. Notwithstanding the foregoing, upon receipt of Proper Instructions: (i) in the case of a repurchase agreement , the Custodian may release funds to a Securities System prior to the receipt of advice from the Securities System that the securities underlying such repurchase agreement have been transferred by book-entry into the Account (as hereinafter defined) maintained with such Securities System by the Custodian, provided that the Custodian's instructions to the Securities system require that the Securities System may make payment of such funds to the other party to the repurchase agreement only upon transfer by book-entry of the securities underlying the repurchase agreement into the Account; (ii) in the case of time deposits, call account deposits, currency deposits, and other deposits, foreign exchange transactions, futures contracts or options, pursuant to Sections 2.09, 2.10, 2.12 and 2.13 hereof, the Custodian may make payment therefor before receipt of an advice or confirmation evidencing said deposit or entry into such transaction; (iii) in the case of the purchase of securities, the settlement of which occurs outside of the United States of America, the Custodian may make payment therefor and receive delivery of such securities in accordance with local custom and practice generally accepted by Institutional Clients (as hereinafter defined) in the country in which the settlement occurs, but in all events subject to the standard of care set forth in Article V hereof; and (iv) in the case of the purchase of securities in which, in accordance with standard industry custom and practice generally accepted by Institutional Clients with respect to such securities, the receipt of such securities and the payment therefor take place in different countries, the Custodian may receive delivery of such securities and make payment therefor in accordance with standard industry custom and practice for such securities generally accepted by Institutional Clients, but in all events subject to the standard of care set forth in Article V hereof. For purposes of this Agreement, an "Institutional Client" shall mean a major commercial bank, corporation, insurance company, or substantially similar institution, which, as a substantial part of its business operations, purchases or sells securities and makes use of custodial services.

Section 2.04. Exchanges of Securities. Upon receipt of Proper Instructions, the Custodian shall exchange securities held by it for the account of the Fund for other securities in connection with any reorganization, recapitalization, split-up of shares, change of par value, conversion or other event relating to the securities or the issuer of such securities, and shall deposit any such securities in accordance with the terms of any reorganization or protective plan. The Custodian shall, without receiving Proper Instructions: surrender securities in temporary form for definitive securities; surrender securities for transfer into the name of the Custodian, the Fund or a nominee of either of them, as permitted by Section 2.02(b); and surrender securities for a different number of certificates or instruments representing the same number of shares or same principal amount of indebtedness, provided that the securities to be issued will be delivered to the Custodian or a nominee of the Custodian.

Section 2.05. Sales of Securities. Upon receipt of Proper Instructions,

the Custodian shall make delivery of securities which have been sold for the account of the Fund, but only against payment therefor in the form of: (a) cash, certified check, bank cashier's check, bank credit, or bank wire

transfer; (b) credit to the account of the custodian with a clearing corporation of a national securities exchange of which the Custodian is a member; or (c) credit to the Account of the Custodian with a Securities System, in accordance with the provisions of Section 2.22 hereof. Notwithstanding the foregoing: (i) in the case of the sale of securities, the settlement of which occurs outside of the United States of America, such securities shall be delivered and paid for in accordance with local custom and practice generally accepted by Institutional Clients in the country in which the settlement occurs, but in all events subject to the standard of care set forth in Article V hereof; (ii) in the case of the sale of securities in which, in accordance with standard industry custom and practice generally accepted by Institutional Clients with respect to such securities, the delivery of such securities and receipt of payment therefor take place in different countries, the Custodian may deliver such securities and receive payment therefor in accordance with standard industry custom and practice for such securities generally accepted by Institutional Clients, but in all events subject to the standard of care set forth in Article V hereof; and (iii) in the case of securities held in physical form, such securities shall be delivered and paid for in accordance with "street delivery custom" to a broker or its clearing agent, against delivery to the Custodian of a receipt for such securities, provided that the Custodian shall have taken reasonable steps to ensure prompt collection of the payment for, or the return of, such securities by the broker or its clearing agent, and provided further that the Custodian shall not be responsible for the selection of or the failure or inability to perform of such broker or its clearing agent.

Section 2.06. Depositary Receipts. Upon receipt of Proper Instructions, the Custodian shall surrender securities to the depositary used for such securities by an issuer of American Depositary Receipts or Global Depositary Receipts (hereinafter referred to, collectively, as "ADRs"), against a written receipt therefor adequately describing such securities and written evidence satisfactory to the Custodian that the depositary has acknowledged receipt of instructions to issue ADRs with respect to such securities in the name of the Custodian or a nominee of the Custodian, for delivery to the Custodian at such place as the Custodian may from time to time designate. Upon receipt of Proper Instructions, the Custodian shall surrender ADRs to the issuer thereof, against a written receipt therefor adequately describing the ADRs surrendered and written evidence satisfactory to the Custodian that the issuer of the ADRs has acknowledged receipt of instructions to cause its depository to deliver the securities underlying such ADRs to the Custodian.

Section 2.07. Exercise of Rights; Tender Offers. Upon receipt of Proper Instructions, the Custodian shall: (a) deliver warrants, puts, calls, rights or similar securities to the issuer or trustee thereof, or to the agent of such issuer or trustee, for the purpose of exercise or sale, provided that the new securities, cash or other assets, if any, acquired as a result of such actions are to be delivered to the Custodian; and (b) deposit securities upon invitations for tenders thereof, provided that the consideration for such securities is to be paid or delivered to the Custodian, or the tendered securities are to be returned to the Custodian. Notwithstanding any provision of this Agreement to the contrary, the Custodian shall take all necessary action, unless otherwise directed to the contrary in Proper Instructions, to comply with the terms of all mandatory or compulsory exchanges, calls, tenders, redemptions, or similar rights of security ownership, and shall promptly notify the Fund of such action in writing by facsimile transmission or in such other manner as the Fund and Custodian may agree in writing.

Section 2.08. Stock Dividends, Rights, Etc. The Custodian shall receive and collect all stock dividends, rights and other items of like nature and, upon receipt of Proper Instructions, take action with respect to the same as directed in such Proper Instructions.

Section 2.09. Options. Upon receipt of Proper Instructions and in accordance with the provisions of any agreement between the Custodian, any registered broker-dealer and, if necessary, the Fund relating to compliance with the rules of the Options Clearing Corporation or of any registered national securities exchange or similar organization(s), the Custodian shall: (a) receive and retain confirmations or other documents, if any, evidencing the purchase or writing of an option on a security or securities index by the Fund; (b) deposit and maintain in a segregated account, securities (either physically or by book-entry in a Securities System), cash or other assets; and (c) pay, release and/or transfer such securities, cash or other assets in accordance with notices or other communications evidencing the expiration, termination or exercise of such options furnished by the Options Clearing Corporation, the securities or options exchange on which such options are traded, or such other organization as may be responsible for handling such option transactions. The Fund and the broker-dealer shall be responsible for the sufficiency of assets held in any segregated account established in compliance with applicable margin maintenance requirements and the performance of other terms of any option contract.

Section 2.10. Futures Contracts. Upon receipt of Proper Instructions, or pursuant to the provisions of any futures margin procedural agreement among the Fund, the Custodian and any futures commission merchant (a "Procedural Agreement"), the Custodian shall: (a) receive and retain confirmations, if any, evidencing the purchase or sale of a futures contract or an option on a futures contract by the Fund; (b) deposit and maintain in a segregated account, cash, securities and other assets designated as initial, maintenance or variation "margin" deposits intended to secure the Fund's performance of its obligations under any futures contracts purchased or sold or any options on futures contracts written by the Fund, in accordance with the provisions of any Procedural Agreement designed to comply with the rules of the Commodity Futures Trading Commission and/or any commodity exchange or contract market (such as the Chicago Board of Trade), or any similar organization(s), regarding such margin deposits; and (c) release assets from and/or transfer assets into such margin accounts only in accordance with any such Procedural Agreements. The Fund and such futures commission merchant shall be responsible for the sufficiency of assets held in the segregated account in compliance with applicable margin maintenance requirements and the performance of any futures contract or option on a futures contract in accordance with its terms.

Section 2.11. Borrowing. Upon receipt of Proper Instructions, the Custodian shall deliver securities of the Fund to lenders or their agents, or otherwise establish a segregated account as agreed to by the Fund and the Custodian, as collateral for borrowings effected by the Fund, provided that such borrowed money is payable by the lender (a) to or upon the Custodian's order, as Custodian for the Fund, and (b) concurrently with delivery of such securities.

Section 2.12. Interest Bearing Deposits.

Upon receipt of Proper Instructions directing the Custodian to purchase interest bearing fixed term and call deposits (hereinafter referred to collectively, as "Interest Bearing Deposits") for the account of the Fund, the Custodian shall purchase such Interest Bearing Deposits in the name of the Fund with such banks or trust companies (including the Custodian, any

Subcustodian or any subsidiary or affiliate of the Custodian) (hereinafter referred to as "Banking Institutions") and in such amounts as the Fund may direct pursuant to Proper Instructions. Such Interest Bearing Deposits may be denominated in U.S. Dollars or other currencies, as the Fund may determine and direct pursuant to Proper Instructions. The Custodian shall include in its records with respect to the assets of the Fund appropriate notation as to the amount and currency of each such Interest Bearing Bank Deposit, the

accepting Banking Institution and all other appropriate details, and shall retain such forms of advice or receipt evidencing such account, if any, as may be forwarded to the Custodian by the Banking Institution. The responsibilities of the Custodian to the Fund for Interest Bearing Deposits accepted on the Custodian's books in the United States shall be that of a U.S. bank for a similar deposit. With respect to Interest Bearing Deposits other than those accepted on the Custodian's books, (a) the Custodian shall be responsible for the collection of income as set forth in Section 2.15 and the transmission of cash and instructions to and from such accounts; and (b) the Custodian shall have no duty with respect to the selection of the Banking Institution or, so long as the Custodian acts in accordance with Proper Instructions, for the failure of such Banking Institution to pay upon demand. Upon receipt of Proper Instructions, the Custodian shall take such reasonable actions as the Fund deems necessary or appropriate to cause each such Interest Bearing Deposit Account to be insured to the maximum extent possible by all applicable deposit insurers including, without limitation, the Federal Deposit Insurance Corporation.

Section 2.13. Foreign Exchange Transactions

(a) Foreign Exchange Transactions Other than as Principal. Upon receipt of Proper Instructions, the Custodian shall settle foreign exchange contracts or options to purchase and sell foreign currencies for spot and future delivery on behalf of and for the account of the Fund with such currency brokers or Banking Institutions as the Fund may determine and direct pursuant to Proper Instructions. The Custodian shall be responsible for the transmission of cash and instructions to and from the currency broker or Banking Institution with which the contract or option is made, the safekeeping of all certificates and other documents and agreements evidencing or relating to such foreign exchange transactions and the maintenance of proper records as set forth in Section 2.25. The Custodian shall have no duty with respect to the selection of the currency brokers or Banking Institutions with which the Fund deals or, so long as the Custodian acts in accordance with Proper Instructions, for the failure of such brokers or Banking Institutions to comply with the terms of any contract or option.

(b) Foreign Exchange Contracts as Principal. The Custodian shall not be obligated to enter into foreign exchange transactions as principal. However, if the Custodian has made available to the Fund its services as a principal in foreign exchange transactions, upon receipt of Proper Instructions, the Custodian shall enter into foreign exchange contracts or options to purchase and sell foreign currencies for spot and future delivery on behalf of and for the account of the Fund with the Custodian as principal. The Custodian shall be responsible for the selection of the currency brokers or Banking Institutions and the failure of such currency brokers or Banking Institutions to comply with the terms of any contract or option.

(c) Payments. Notwithstanding anything to the contrary contained herein, upon receipt of Proper Instructions the Custodian may, in connection with a foreign exchange contract, make free outgoing payments of cash in the form of U.S. Dollars or foreign currency prior to receipt of confirmation of such foreign exchange contract or confirmation that the countervalue currency

completing such contract has been delivered or received.

Section 2.14. Securities Loans. Upon receipt of Proper Instructions, the Custodian shall, in connection with loans of securities by the Fund, deliver securities of the Fund to the borrower thereof prior to receipt of the collateral, if any, for such borrowing; provided that, in cases of loans of securities secured by cash collateral, the Custodian's instructions to the Securities System shall require

that the Securities System deliver the securities of the Fund to the borrower thereof only upon receipt of the collateral for such borrowing.

Section 2.15. Collections. The Custodian shall, and shall cause any Subcustodian to: (a) collect amounts due and payable to the Fund with respect to portfolio securities and other assets of the Fund; (b) promptly credit to the account of the Fund all income and other payments relating to portfolio securities and other assets held by the Custodian hereunder upon Custodian's receipt of such income or payments or as otherwise agreed in writing by the Custodian and the Fund; (c) promptly endorse and deliver any instruments required to effect such collections; and (d) promptly execute ownership and other certificates and affidavits for all federal, state and foreign tax purposes in connection with receipt of income or other payments with respect to portfolio securities and other assets of the Fund, or in connection with the transfer of such securities or other assets; provided, however, that with respect to Fund securities registered in so-called street name, the Custodian shall use its best efforts to collect amounts due and payable to the Fund. The Custodian shall promptly notify the Fund in writing by facsimile transmission or in such other manner as the Fund and Custodian may agree in writing if any amount payable with respect to portfolio securities or other assets of the Fund is not received by the Custodian when due. The Custodian shall not be responsible for the collection of amounts due and payable with respect to portfolio securities or other assets that are in default.

Section 2.16. Dividends, Distributions and Redemptions. The Custodian shall promptly release funds or securities: (a) upon receipt of Proper Instructions, to one or more Distribution Accounts designated by the Fund in such Proper Instructions; or (b) upon receipt of Special Instructions, as otherwise directed by the Fund, for the purpose of the payment of dividends or other distributions to shareholders of the Fund, and payment to shareholders who have requested repurchase or redemption of their shares of the Fund (collectively, the "Shares"). For purposes of this Agreement, a "Distribution Account" shall mean an account established at a Banking Institution designated by the Fund in Special Instructions.

Section 2.17. Proceeds from Shares Sold. The Custodian shall receive funds representing cash payments received for Shares issued or sold from time to time by the Fund, and shall promptly credit such funds to the account(s) of the applicable Fund). The Custodian shall promptly notify the Fund of Custodian's receipt of cash in payment for Shares issued by the Fund by facsimile transmission or in such other manner as the Fund and Custodian may agree in writing. Upon receipt of Proper Instructions, the Custodian shall: (a) deliver all federal funds received by the Custodian in payment for Shares in payment for such investments as may be set forth in such Proper Instructions and at a time agreed upon between the Custodian and the Fund; and (b) make federal funds available to the Fund as of specified times agreed upon from time to time by the Fund and the Custodian, in the amount of checks received in payment for Shares which are deposited to the accounts of the Fund.

Section 2.18. Proxies, Notices, Etc. The Custodian shall deliver to

the Fund, in the most expeditious manner practicable, all forms of proxies, all notices of meetings, and any other notices or announcements affecting or relating to securities owned by the Fund that are received by the Custodian, any Subcustodian, or any nominee of either of them, and, upon receipt of Proper Instructions, the Custodian shall execute and deliver, or cause such Subcustodian or nominee to execute and deliver, such proxies or other authorizations as may be required. Except as directed pursuant to Proper Instructions, neither the Custodian nor any Subcustodian or nominee shall vote upon any such

securities, or execute any proxy to vote thereon, or give any consent or take any other action with respect thereto.

Section 2.19. Bills and Other Disbursements. Upon receipt of Proper Instructions, the Custodian shall pay or cause to be paid, all bills, statements, or other obligations of the Fund.

Section 2.20. Nondiscretionary Functions. The Custodian shall attend to all nondiscretionary details in connection with the sale, exchange, substitution, purchase, transfer or other dealings with securities or other assets of the Fund held by the Custodian, except as otherwise directed from time to time pursuant to Proper Instructions.

Section 2.21. Bank Accounts

(a) Accounts with the Custodian and any Subcustodians. The Custodian shall open and operate a bank account or accounts (hereinafter referred to collectively, as "Bank Accounts") on the books of the Custodian or any Subcustodian provided that such account(s) shall be in the name of the Custodian or a nominee of the Custodian, for the account of the Fund, and shall be subject only to the draft or order of the Custodian; provided however, that such Bank Accounts in countries other than the United States may be held in an account of the Custodian containing only assets held by the Custodian as a fiduciary or custodian for customers, and provided further, that the records of the Custodian shall indicate at all times the Fund or other customer for which such securities and other assets are held in such account and the respective interests therein. Such Bank Accounts may be denominated in either U.S. Dollars or other currencies. The responsibilities of the Custodian to the Fund for deposits accepted on the Custodian's books in the United States shall be that of a U.S. bank for a similar deposit. The responsibilities of the Custodian to the Fund for deposits accepted on any Subcustodian's books shall be governed by the provisions of Section 5.02.

(b) Accounts With Other Banking Institutions. The Custodian may open and operate Bank Accounts on behalf of the Fund, in the name of the Custodian or a nominee of the Custodian, at a Banking Institution other than the Custodian or any Subcustodian, provided that such account(s) shall be in the name of the Custodian or a nominee of the Custodian, for the account of the Fund, and shall be subject only to the draft or order of the Custodian; provided however, that such Bank Accounts may be held in an account of the Custodian containing only assets held by the Custodian as a fiduciary or custodian for customers, and provided further, that the records of the Custodian shall indicate at all times the Fund or other customer for which such securities and other assets are held in such account and the respective interests therein. Such Bank Accounts may be denominated in either U.S. Dollars or other currencies. Subject to the provisions of Section 5.01(a), the Custodian shall be responsible for the selection of the Banking Institution and for the failure of such Banking Institution to pay according to the terms of the deposit.

(c) Deposit Insurance. Upon receipt of Proper Instructions, the Custodian shall take such reasonable actions as the Fund deems necessary or appropriate to cause each deposit account established by the Custodian pursuant to this Section 2.21 to be insured to the maximum extent possible by all applicable deposit insurers including, without limitation, the Federal Deposit Insurance Corporation.

Section 2.22. Deposit of Fund Assets in Securities Systems. The Custodian may deposit and/or maintain domestic securities owned by the Fund in: (a) The Depository Trust Company; (b) the Participants Trust Company; (c) any book-entry system as provided in (i) Subpart O of Treasury Circular No. 300, 31 CFR 306.115, (ii) Subpart B of Treasury Circular Public Debt Series No. 27-76, 31 CFR 350.2, or (iii) the book-entry regulations of federal agencies substantially in the form of 31 CFR 306.115; or (d) any other domestic clearing agency registered with the Securities and Exchange Commission ("SEC") under Section 17A of the Securities Exchange Act of 1934 (or as may otherwise be authorized by the Securities and Exchange Commission to serve in the capacity of depository or clearing agent for the securities or other assets of investment companies) which acts as a securities depository and the use of which the Fund has previously approved by Special Instructions (as hereinafter defined) (each of the foregoing being referred to in this Agreement as a "Securities System"). Use of a Securities System shall be in accordance with applicable Federal Reserve Board and SEC rules and regulations, if any, and subject to the following provisions:

(A) The Custodian may deposit and/or maintain securities held hereunder in a Securities System, provided that such securities are represented in an account ("Account") of the Custodian in the Securities System which Account shall not contain any assets of the Custodian other than assets held as a fiduciary, custodian, or otherwise for customers.

(B) The books and records of the Custodian shall at all times identify those securities belonging to the Fund which are maintained in a Securities System.

(C) The Custodian shall pay for securities purchased for the account of the Fund only upon (w) receipt of advice from the Securities System that such securities have been transferred to the Account of the Custodian, and (x) the making of an entry on the records of the Custodian to reflect such payment and transfer for the account of the Fund. The Custodian shall transfer securities sold for the account of the Fund only upon (y) receipt of advice from the Securities System that payment for such securities has been transferred to the Account of the Custodian, and (z) the making of an entry on the records of the Custodian to reflect such transfer and payment for the account of the Fund. Copies of all advices from the Securities System relating to transfers of securities for the account of the Fund shall identify the Fund and shall be maintained for the Fund by the Custodian. The Custodian shall deliver to the Fund on the next succeeding business day daily transaction reports which shall include each day's transactions in the Securities System for the account of the Fund. Such transaction reports shall be delivered to the Fund or any agent designated by the Fund pursuant to Proper Instructions, by computer or in such other manner as the Fund and Custodian may agree in writing.

(D) The Custodian shall, if requested by the Fund pursuant to Proper Instructions, provide the Fund with all reports obtained by the Custodian or any Subcustodian with respect to a Securities System's accounting system, internal accounting control and procedures for safeguarding securities

deposited in the Securities System.

(E) Upon receipt of Special Instructions, the Custodian shall terminate the use of any Securities System (except the federal book-entry system) on behalf of any Fund as promptly as practicable and shall take all actions reasonably practicable to safeguard the securities of the Fund maintained with such Securities System.

Section 2.23. Other Transfers. Upon receipt of Special Instructions, the Custodian shall make such other dispositions of securities, funds or other property of the Fund in a manner or for purposes

other than as expressly set forth in this Agreement, provided that the Special Instructions relating to such disposition shall include a statement of the purpose for which the delivery is to be made, the amount of funds and/or securities to be delivered, and the name of the person or persons to whom delivery is to be made, and shall otherwise comply with the provisions of Sections 3.01 and 3.03 hereof.

Section 2.24. Establishment of Segregated Account. Upon receipt of Proper Instructions, the Custodian shall establish and maintain on its books a segregated account or accounts for and on behalf of the Fund, into which account or accounts may be transferred cash and/or securities or other assets of the Fund, including securities maintained by the Custodian in a Securities System pursuant to Section 2.22 hereof, said account or accounts to be maintained: (a) for the purposes set forth in Sections 2.09, 2.10 and 2.11 hereof; (b) for the purposes of compliance by the Fund with the procedures required by Investment Company Act Release No. 10666, or any subsequent release or releases of the SEC relating to the maintenance of segregated accounts by registered investment companies; or (c) for such other purposes as set forth, from time to time, in Special Instructions.

Section 2.25. Custodian's Books and Records. The Custodian shall provide any assistance reasonably requested by the Fund in the preparation of reports to Fund shareholders and others, audits of accounts, and other ministerial matters of like nature. The Custodian shall maintain complete and accurate records with respect to securities and other assets held for the accounts of the Fund as required by the rules and regulations of the SEC applicable to investment companies registered under the 1940 Act, including: (a) journals or other records of original entry containing a detailed and itemized daily record of all receipts and deliveries of securities (including certificate and transaction identification numbers, if any), and all receipts and disbursements of cash; (b) ledgers or other records reflecting (i) securities in transfer, (ii) securities in physical possession, (iii) securities borrowed, loaned or collateralizing obligations of the Fund, (iv) monies borrowed and monies loaned (together with a record of the collateral therefor and substitutions of such collateral), and (v) dividends and interest received; and (c) cancelled checks and bank records related thereto. The Custodian shall keep such other books and records of the Fund as the Fund shall reasonably request. All such books and records maintained by the Custodian shall be maintained in a form acceptable to the Fund and in compliance with the rules and regulations of the SEC, including, but not limited to, books and records required to be maintained by Section 31(a) of the 1940 Act and the rules and regulations from time to time adopted thereunder. All books and records maintained by the Custodian pursuant to this Agreement shall at all times be the property of the Fund and shall be available during normal business hours for inspection and use by the Fund and its agents, including, without limitation, its independent certified public accountants. Notwithstanding the preceding sentence, the Fund shall not take any actions or cause the Custodian to take any actions which would cause, either directly or indirectly, the

Custodian to violate any applicable laws, regulations or orders.

Section 2.26. Opinion of Fund's Independent Certified Public Accountants. The Custodian shall take all reasonable action as the Fund may request to obtain from year to year favorable opinions from the Fund's independent certified public accountants with respect to the Custodian's activities hereunder in connection with the preparation of the Fund's Form N-2 and the Fund's Form N-SAR or other periodic reports to the SEC and with respect to any other requirements of the SEC.

Section 2.27. Reports by Independent Certified Public Accountants. At the request of the Fund, the Custodian shall deliver to the Fund a written report prepared by the Custodian's independent certified public accountants with respect to the services provided by the Custodian under this

Agreement, including, without limitation, the Custodian's accounting system, internal accounting control and procedures for safeguarding cash, securities and other assets, including cash, securities and other assets deposited and/or maintained in a Securities System or with a Subcustodian. Such report shall be of sufficient scope and in sufficient detail as may reasonably be required by the Fund and as may reasonably be obtained by the Custodian.

Section 2.28. Overdraft Facility. In the event that the Custodian is directed by Proper Instructions to make any payment or transfer of funds on behalf of the Fund for which there would be, at the close of business on the date of such payment or transfer, insufficient funds held by the Custodian on behalf of the Fund, the Custodian may, in its discretion, provide an overdraft (an "Overdraft") to the Fund on behalf of the Fund, in an amount sufficient to allow the completion of such payment. Any Overdraft provided hereunder: (a) shall be payable on the next Business Day, unless otherwise agreed by the Fund and the Custodian; and (b) shall accrue interest from the date of the Overdraft to the date of payment in full by the Fund on behalf of the Fund at a rate agreed upon in writing, from time to time, by the Custodian and the Fund. The Custodian and the Fund acknowledge that the purpose of such Overdrafts is to temporarily finance the purchase or sale of securities for prompt delivery in accordance with the terms hereof, or to meet emergency expenses not reasonably foreseeable by the Fund. The Custodian shall promptly notify the Fund in writing (an "Overdraft Notice") of any Overdraft by facsimile transmission or in such other manner as the Fund and the Custodian may agree in writing. At the request of the Custodian, the Fund, shall pledge, assign and grant to the Custodian a security interest in certain specified securities of the Fund, as security for Overdrafts provided to the Fund, under the terms and conditions set forth in Appendix "B" attached hereto.

ARTICLE III
PROPER INSTRUCTIONS, SPECIAL INSTRUCTIONS AND RELATED MATTERS

Section 3.01. Proper Instructions and Special Instructions.

(a) Proper Instructions. As used herein, the term "Proper Instructions" shall mean: (i) a tested telex, a written (including, without limitation, facsimile transmission) request, direction, instruction or certification signed or initialed by or on behalf of the Fund by one or more Authorized Persons (as hereinafter defined); (ii) a telephonic or other oral communication by one or more Authorized Persons; or (iii) a communication effected directly between an electro-mechanical or electronic device or system (including, without limitation, computers) by or on behalf of the Fund by one or more Authorized Persons; provided, however, that communications of the types

described in clauses (ii) and (iii) above purporting to be given by an Authorized Person shall be considered Proper Instructions only if the Custodian reasonably believes such communications to have been given by an Authorized Person with respect to the transaction involved. Proper Instructions in the form of oral communications shall be confirmed by the Fund by tested telex or in writing in the manner set forth in clause (i) above, but the lack of such confirmation shall in no way affect any action taken by the Custodian in reliance upon such oral instructions prior to the Custodian's receipt of such confirmation. The Fund and the Custodian are hereby authorized to record any and all telephonic or other oral instructions communicated to the Custodian. Proper Instructions may relate to specific transactions or to types or classes of transactions, and may be in the form of standing instructions.

(b) Special Instructions. As used herein, the term "Special Instructions" shall mean Proper Instructions countersigned or confirmed in writing by the Treasurer or any Assistant Treasurer of the

Fund or any other person designated by the Treasurer of the Fund in writing, which countersignature or confirmation shall be (i) included on the same instrument containing the Proper Instructions or on a separate instrument relating thereto, and (ii) delivered by hand, by facsimile transmission, or in such other manner as the Fund and the Custodian agree in writing.

(c) Address for Proper Instructions and Special Instructions. Proper Instructions and Special Instructions shall be delivered to the Custodian at the address and/or telephone, telecopy or telex number agreed upon from time to time by the Custodian and the Fund.

Section 3.02. Authorized Persons. Concurrently with the execution of this Agreement and from time to time thereafter, as appropriate, the Fund shall deliver to the Custodian, duly certified as appropriate by a Treasurer or Assistant Treasurer of the Fund, a certificate setting forth: (a) the names, titles, signatures and scope of authority of all persons authorized to give Proper Instructions or any other notice, request, direction, instruction, certificate or instrument on behalf of the Fund (collectively, the "Authorized Persons" and individually, an "Authorized Person"); and (b) the names, titles and signatures of those persons authorized to issue Special Instructions. Such certificate may be accepted and relied upon by the Custodian as conclusive evidence of the facts set forth therein and shall be considered to be in full force and effect until delivery to the Custodian of a similar certificate to the contrary. Upon delivery of a certificate which deletes the name(s) of a person previously authorized to give Proper Instructions or to issue Special Instructions, such persons shall no longer be considered an Authorized Person or authorized to issue Special Instructions.

Section 3.03. Persons Having Access to Assets of the Fund . Notwithstanding anything to the contrary contained in this Agreement, no Authorized Person, Trustee, officer, employee or agent of the Fund shall have physical access to the assets of the Fund held by the Custodian nor shall the Custodian deliver any assets of the Fund for delivery to an account of such person; provided, however, that nothing in this Section 3.03 shall prohibit (a) any Authorized Person from giving Proper Instructions, or any person authorized to issue Special Instructions from issuing Special Instructions, so long as such action does not result in delivery of or access to assets of any Fund prohibited by this Section 3.03; or (b) the Fund's independent certified public accountants from examining or reviewing the assets of the Fund held by the Custodian. The Fund shall deliver to the Custodian a written certificate identifying such Authorized Persons, Trustees, officers, employees and agents of the Fund.

Section 3.04. Actions of Custodian Based on Proper Instructions and Special Instructions. So long as and to the extent that the Custodian acts in accordance with (a) Proper Instructions or Special Instructions, as the case may be, and (b) the terms of this Agreement, the Custodian shall not be responsible for the title, validity or genuineness of any property, or evidence of title thereof, received by it or delivered by it pursuant to this Agreement.

ARTICLE IV
SUBCUSTODIANS

The Custodian may, from time to time, in accordance with the relevant provisions of this Article IV, appoint one or more Domestic Subcustodians, Foreign Subcustodians, Interim Subcustodians and Special Subcustodians to act on behalf of the Fund. (For purposes of this Agreement, all duly appointed Domestic Subcustodians, Foreign Subcustodians, Interim Subcustodians, and Special Subcustodians are hereinafter referred to collectively, as "Subcustodians.")

Section 4.01. Domestic Subcustodians. The Custodian may, at any time and from time to time, appoint any bank as defined in Section 2(a)(5) of the 1940 Act meeting the requirements of a custodian under Section 17(f) of the 1940 Act and the rules and regulations thereunder, to act as a subcustodian for purposes of holding cash, securities and other assets of the Fund and performing other functions of the Custodian within the United States (a "Domestic Subcustodian"); provided, that, the Custodian shall notify the Fund in writing of the identity and qualifications of any proposed Domestic Subcustodian at least thirty (30) days prior to appointment of such Domestic Subcustodian, and the Fund may, in its sole discretion, by written notice to the Custodian executed by an Authorized Person disapprove of the appointment of such Domestic Subcustodian. If following notice by the Custodian to the Fund regarding appointment of a Domestic Subcustodian and the expiration of thirty (30) days after the date of such notice, the Fund shall have failed to notify the Custodian of its disapproval thereof, the Custodian may, in its discretion, appoint such proposed Domestic Subcustodian as its subcustodian.

Section 4.02. Foreign Subcustodians and Interim Subcustodians.

(a) Foreign Subcustodians. The Custodian may, at any time and from time to time, appoint: (i) any bank, trust company or other entity meeting the requirements of an "eligible foreign custodian" under Section 17(f) of the 1940 Act and the rules and regulations thereunder or by order of the Securities and Exchange Commission exempted therefrom, or (ii) any bank as defined in Section 2(a)(5) of the 1940 Act meeting the requirements of a custodian under Section 17(f) of the 1940 Act and the rules and regulations thereunder to act on behalf of the Fund as a subcustodian for purposes of holding cash, securities and other assets of the Fund and performing other functions of the Custodian in countries other than the United States of America (a "Foreign Subcustodian"); provided, that, prior to the appointment of any Foreign Subcustodian, the Custodian shall have obtained written confirmation of the approval of the Board of Directors or other governing body or entity of the Fund (which approval may be withheld in the sole discretion of such Board of Directors or other governing body or entity) with respect to (i) the identity and qualifications of any proposed Foreign Subcustodian, (ii) the country or countries in which, and the securities depositories or clearing agencies, if any, through which, any proposed Foreign Subcustodian is authorized to hold securities and other assets of the Fund, and (iii) the form and terms of the subcustodian agreement to be entered into between such proposed Foreign Subcustodian and the Custodian. Each such duly approved Foreign Subcustodian and the countries where and the securities depositories and clearing agencies

through which they may hold securities and other assets of the Fund shall be listed on Appendix "A" attached hereto, as it may be amended, from time to time, in accordance with the provisions of Section 9.05(c) hereof. The Fund shall be responsible for informing the Custodian sufficiently in advance of a proposed investment which is to be held in a country in which no Foreign Subcustodian is authorized to act, in order that there shall be sufficient time for the Custodian to effect the appropriate arrangements with a proposed foreign subcustodian, including obtaining approval as provided in this Section 4.02(a). The Custodian shall not amend any subcustodian agreement entered into with a Foreign Subcustodian, or agree to change or permit any changes thereunder, or waive any rights under such agreement, which materially affect the Fund's rights or the Foreign Subcustodian's obligations or duties to the Fund under such agreement, except upon prior approval pursuant to Special Instructions.

(b) Interim Subcustodians. Notwithstanding the foregoing, in the event that the Fund shall invest in a security or other asset to be held in a country in which no Foreign Subcustodian is authorized to act, the Custodian shall promptly notify the Fund in writing by facsimile transmission or in such other manner as the Fund and Custodian shall agree in writing of the unavailability of an

approved Foreign Subcustodian in such country; and the Custodian shall, upon receipt of Special Instructions, appoint any Person designated by the Fund in such Special Instructions to hold such security or other asset. (Any Person appointed as a subcustodian pursuant to this Section 4.02(b) is hereinafter referred to as an "Interim Subcustodian.")

Section 4.03. Special Subcustodians. Upon receipt of Special Instructions, the Custodian shall, on behalf of the Fund, appoint one or more banks, trust companies or other entities designated in such Special Instructions to act as a subcustodian for purposes of: (i) effecting third-party repurchase transactions with banks, brokers, dealers or other entities through the use of a common custodian or subcustodian; (ii) establishing a joint trading account for the Fund and other registered management investment companies for which Fidelity Management & Research Company serves as investment adviser, through which the Fund and such other investment companies shall collectively participate in certain repurchase transactions; (iii) providing depository and clearing agency services with respect to certain variable rate demand note securities; and (iv) effecting any other transactions designated by the Fund in Special Instructions. (Each such designated subcustodian is hereinafter referred to as a "Special Subcustodian.") Each such duly appointed Special Subcustodian shall be listed on Appendix "A" attached hereto, as it may be amended from time to time in accordance with the provisions of Section 9.05(c) hereof. In connection with the appointment of any Special Subcustodian, the Custodian shall enter into a subcustodian agreement with the Special Subcustodian in form and substance approved by the Fund, provided that such agreement shall in all events comply with the provisions of the 1940 Act and the rules and regulations thereunder and the terms and provisions of this Agreement. The Custodian shall not amend any subcustodian agreement entered into with a Special Subcustodian, or agree to change or permit any changes thereunder, or waive any rights under such agreement, except upon prior approval pursuant to Special Instructions.

Section 4.04. Termination of a Subcustodian. The Custodian shall (i) cause each Domestic Subcustodian and Foreign Subcustodian to, and (ii) use its best efforts to cause each Interim Subcustodian and Special Subcustodian to, perform all of its obligations in accordance with the terms and conditions of the subcustodian agreement between the Custodian and such Subcustodian. In

the event that the Custodian is unable to cause such Subcustodian to fully perform its obligations thereunder, the Custodian shall forthwith, upon the receipt of Special Instructions, terminate such Subcustodian with respect to the Fund and, if necessary or desirable, appoint a replacement Subcustodian in accordance with the provisions of Section 4.01 or Section 4.02, as the case may be. In addition to the foregoing, the Custodian (A) may, at any time in its discretion, upon written notification to the Fund, terminate any Domestic Subcustodian, Foreign Subcustodian or Interim Subcustodian, and (B) shall, upon receipt of Special Instructions, terminate any Subcustodian with respect to the Fund, in accordance with the termination provisions under the applicable subcustodian agreement.

Section 4.05. Certification Regarding Foreign Subcustodians. Upon request of the Fund, the Custodian shall deliver to the Fund a certificate stating: (i) the identity of each Foreign Subcustodian then acting on behalf of the Custodian; (ii) the countries in which and the securities depositories and clearing agents through which each such Foreign Subcustodian is then holding cash, securities and other assets of any Fund; and (iii) such other information as may be requested by the Fund to ensure compliance with Rule 17f-5 under the 1940 Act.

ARTICLE V
STANDARD OF CARE; INDEMNIFICATION

Section 5.01. Standard of Care.

(a) General Standard of Care. The Custodian shall exercise reasonable care and diligence in carrying out all of its duties and obligations under this Agreement, and shall be liable to the Fund for all loss, damage and expense suffered or incurred by the Fund resulting from the failure of the Custodian to exercise such reasonable care and diligence.

(b) Actions Prohibited by Applicable Law, Etc. In no event shall the Custodian incur liability hereunder if the Custodian or any Subcustodian or Securities System, or any subcustodian, securities depository or securities system utilized by any such Subcustodian, or any nominee of the Custodian or any Subcustodian (individually, a "Person") is prevented, forbidden or delayed from performing, or omits to perform, any act or thing which this Agreement provides shall be performed or omitted to be performed, by reason of: (i) any provision of any present or future law or regulation or order of the United States of America, or any state thereof, or of any foreign country, or political subdivision thereof or of any court of competent jurisdiction; or (ii) any act of God or war or other similar circumstance beyond the control of the Custodian, unless, in each case, such delay or nonperformance is caused by (A) the negligence, misfeasance or misconduct of the applicable Person, or (B) a malfunction or failure of equipment operated or utilized by the applicable Person other than a malfunction or failure beyond such Person's control and which could not reasonably be anticipated and/or prevented by such Person.

(c) Mitigation by Custodian. Upon the occurrence of any event which causes or may cause any loss, damage or expense to the Fund, (i) the Custodian shall, (ii) the Custodian shall cause any applicable Domestic Subcustodian or Foreign Subcustodian to, and (iii) the Custodian shall use its best efforts to cause any applicable Interim Subcustodian or Special Subcustodian to, use all commercially reasonable efforts and take all reasonable steps under the

circumstances to mitigate the effects of such event and to avoid continuing harm to the Fund.

(d) Advice of Counsel. The Custodian shall be entitled to receive and act upon advice of counsel on all matters. The Custodian shall be without liability for any action reasonably taken or omitted in good faith pursuant to the advice of (i) counsel for the Fund, or (ii) at the expense of the Custodian, such other counsel as the Fund and the Custodian may agree upon; provided, however, with respect to the performance of any action or omission of any action upon such advice, the Custodian shall be required to conform to the standard of care set forth in Section 5.01(a).

(e) Expenses of the Fund. In addition to the liability of the Custodian under this Article V, the Custodian shall be liable to the Fund for all reasonable costs and expenses incurred by the Fund in connection with any claim by the Fund against the Custodian arising from the obligations of the Custodian hereunder including, without limitation, all reasonable attorneys' fees and expenses incurred by the Fund in asserting any such claim, and all expenses incurred by the Fund in connection with any investigations, lawsuits or proceedings relating to such claim; provided, that the Fund has recovered from the Custodian for such claim.

(f) Liability for Past Records. The Custodian shall have no liability in respect of any loss, damage or expense suffered by the Fund, insofar as such loss, damage or expense arises from the performance of the Custodian's duties hereunder by reason of the Custodian's reliance upon records that were maintained for the Fund by entities other than the Custodian prior to the Custodian's employment hereunder.

Section 5.02. Liability of Custodian for Actions of Other Persons.

(a) Domestic Subcustodians and Foreign Subcustodians. The Custodian shall be liable for the actions or omissions of any Domestic Subcustodian or any Foreign Subcustodian to the same extent as if such action or omission were performed by the Custodian itself. In the event of any loss, damage or expense suffered or incurred by the Fund caused by or resulting from the actions or omissions of any Domestic Subcustodian or Foreign Subcustodian for which the Custodian would otherwise be liable, the Custodian shall promptly reimburse the Fund in the amount of any such loss, damage or expense.

(b) Interim Subcustodians. Notwithstanding the provisions of Section 5.01 to the contrary, the Custodian shall not be liable to the Fund for any loss, damage or expense suffered or incurred by the Fund resulting from the actions or omissions of an Interim Subcustodian unless such loss, damage or expense is caused by, or results from, the negligence, misfeasance or misconduct of the Custodian; provided, however, in the event of any such loss, damage or expense, the Custodian shall take all reasonable steps to enforce such rights as it may have against such Interim Subcustodian to protect the interests of the Fund.

(c) Special Subcustodians. Notwithstanding the provisions of Section 5.01 to the contrary and except as otherwise provided in any subcustodian agreement to which the Custodian, the Fund and any Special Subcustodian are parties, the Custodian shall not be liable to the Fund for any loss, damage or expense suffered or incurred by the Fund resulting from the actions or omissions of a Special Subcustodian, unless such loss, damage or expense is caused by, or results from, the negligence, misfeasance or misconduct of the Custodian; provided, however, that in the event of any such loss, damage or expense, the Custodian shall take all reasonable steps to enforce such rights as it may have against any Special Subcustodian to protect the interests of the Fund.

(d) Securities Systems. Notwithstanding the provisions of Section 5.01 to the contrary, the Custodian shall not be liable to the Fund for any loss, damage or expense suffered or incurred by the Fund resulting from the use by the Custodian of a Securities System, unless such loss, damage or expense is caused by, or results from, the negligence, misfeasance or misconduct of the Custodian; provided, however, that in the event of any such loss, damage or expense, the Custodian shall take all reasonable steps to enforce such rights as it may have against the Securities System to protect the interests of the Fund.

(e) Reimbursement of Expenses. The Fund agrees to reimburse the Custodian for all reasonable out-of-pocket expenses incurred by the Custodian in connection with the fulfillment of its obligations under this Section 5.02; provided, however, that such reimbursement shall not apply to expenses occasioned by or resulting from the negligence, misfeasance or misconduct of the Custodian.

Section 5.03. Indemnification.

(a) Indemnification Obligations. Subject to the limitations set forth in this Agreement, the Fund agrees to indemnify and hold harmless the Custodian and its nominees from all loss, damage and expense (including reasonable attorneys' fees) suffered or incurred by the Custodian or its nominee caused by or arising from actions taken by the Custodian in the performance of its duties and obligations under this Agreement; provided, however, that such indemnity shall not apply to loss, damage and expense occasioned by or resulting from the negligence, misfeasance or misconduct of the Custodian or its nominee. In addition, the Fund agrees to indemnify any Person against any liability incurred by reason of taxes assessed to such Person, or other loss, damage or expenses incurred by such Person, resulting from the fact that securities and other property of the Fund are registered in the name of such Person; provided, however, that in no event shall such indemnification be applicable to income, franchise or similar taxes which may be imposed or assessed against any Person.

(b) Notice of Litigation, Right to Prosecute, Etc. The Fund shall not be liable for indemnification under this Section 5.03 unless a Person shall have promptly notified the Fund in writing of the commencement of any litigation or proceeding brought against such Person in respect of which indemnity may be sought under this Section 5.03. With respect to claims in such litigation or proceedings for which indemnity by the Fund may be sought and subject to applicable law and the ruling of any court of competent jurisdiction, the Fund shall be entitled to participate in any such litigation or proceeding and, after written notice from the Fund to any Person, the Fund may assume the defense of such litigation or proceeding with counsel of its choice at its own expense in respect of that portion of the litigation for which the Fund may be subject to an indemnification obligation; provided, however, a Person shall be entitled to participate in (but not control) at its own cost and expense, the defense of any such litigation or proceeding if the Fund has not acknowledged in writing its obligation to indemnify the Person with respect to such litigation or proceeding. If the Fund is not permitted to participate or control such litigation or proceeding under applicable law or by a ruling of a court of competent jurisdiction, such Person shall reasonably prosecute such litigation or proceeding. A Person shall not consent to the entry of any judgment or enter into any settlement in any such litigation or proceeding without providing the Fund with adequate notice of any such settlement or judgment, and without the Fund's prior written consent. All Persons shall submit written evidence to the Fund with respect to any cost or expense for which they are seeking indemnification in such form and detail as the Fund may reasonably request.

Section 5.04. Investment Limitations. If the Custodian has otherwise complied with the terms and conditions of this Agreement in performing its duties generally, and more particularly in connection with the purchase, sale or exchange of securities made by or for the Fund, the Custodian shall not be liable to the Fund and the Fund agrees to indemnify the Custodian and its nominees, for any loss, damage or expense suffered or incurred by the Custodian and its nominees arising out of any violation of any investment or other limitation to which the Fund is subject.

Section 5.05. Fund's Right to Proceed. Notwithstanding anything to the contrary contained herein, the Fund shall have, at its election upon reasonable notice to the Custodian, the right to enforce, to the extent permitted by any applicable agreement and applicable law, the Custodian's rights against any Subcustodian, Securities System, or other Person for loss, damage or expense caused the Fund by such Subcustodian, Securities System, or other Person, and shall be entitled to enforce the rights of the Custodian with respect to any claim against such Subcustodian, Securities System or other Person, which the Custodian may have as a consequence of any such loss, damage or expense, if and to the

extent that the Fund has not been made whole for any such loss or damage. If the Custodian makes the Fund whole for any such loss or damage, the Custodian shall retain the ability to enforce its rights directly against such Subcustodian, Securities System or other Person. Upon the Fund's election to enforce any rights of the Custodian under this Section 5.05, the Fund shall reasonably prosecute all actions and proceedings directly relating to the rights of the Custodian in respect of the loss, damage or expense incurred by the Fund; provided that, so long as the Fund has acknowledged in writing its obligation to indemnify the Custodian under Section 5.03 hereof with respect to such claim, the Fund shall retain the right to settle, compromise and/or terminate any action or proceeding in respect of the loss, damage or expense incurred by the Fund without the Custodian's consent and provided further, that if the Fund has not made an acknowledgement of its obligation to indemnify, the Fund shall not settle, compromise or terminate any such action or proceeding without the written consent of the Custodian, which consent shall not be unreasonably withheld or delayed. The Custodian agrees to cooperate with the Fund and take all actions reasonably requested by the Fund in connection with the Fund's enforcement of any rights of the Custodian. The Fund agrees to reimburse the Custodian for all reasonable out-of- pocket expenses incurred by the Custodian in connection with the fulfillment of its obligations under this Section 5.05 provided, however, that such reimbursement shall not apply to expenses occasioned by or resulting from the negligence, misfeasance or misconduct of the Custodian.

ARTICLE VI
COMPENSATION

The Fund shall compensate the Custodian in an amount, and at such times, as may be agreed upon in writing, from time to time, by the Custodian and the Fund.

ARTICLE VII
TERMINATION

Section 7.01. Termination of Agreement. This Agreement shall continue in full force and effect until the first to occur of: (a) termination by the Custodian by an instrument in writing delivered or mailed to the Fund, such termination to take effect not sooner than ninety (90) days after the date of such delivery; (b) termination by the Fund by an instrument in writing delivered or mailed to the Custodian, such termination to take effect not sooner than thirty (30) days after the date of such delivery; or (c) termination by the Fund by written notice delivered to the Custodian, based upon the Fund's determination that there is a reasonable basis to conclude that

the Custodian is insolvent or that the financial condition of the Custodian is deteriorating in any material respect, in which case termination shall take effect upon the Custodian's receipt of such notice or at such later time as the Fund shall designate. In the event of termination pursuant to this Section 7.01, the Fund shall make payment of all accrued fees and unreimbursed expenses within a reasonable time following termination and delivery of a statement to the Fund setting forth such fees and expenses. The Fund shall identify in any notice of termination a successor custodian to which the cash, securities and other assets of the Fund shall, upon termination of this Agreement, be delivered. In the event that no written notice designating a successor custodian shall have been delivered to the Custodian on or before the date when termination of this Agreement shall become effective, the Custodian may deliver to a bank or trust company doing business in Boston, Massachusetts, of its own selection, having an aggregate capital, surplus, and undivided profits, as shown by its last published report, of not less than $25,000,000, all securities and other assets held by the Custodian and all instruments held by the Custodian relative thereto and all other property held by it under this Agreement. Thereafter, such bank or trust company shall be the successor of the Custodian under this Agreement. In the event that securities and other

assets remain in the possession of the Custodian after the date of termination hereof owing to failure of the Fund to appoint a successor custodian, the Custodian shall be entitled to compensation for its services in accordance with the fee schedule most recently in effect, for such period as the Custodian retains possession of such securities and other assets, and the provisions of this Agreement relating to the duties and obligations of the Custodian and the Fund shall remain in full force and effect. In the event of the appointment of a successor custodian, it is agreed that the cash, securities and other property owned by the Fund and held by the Custodian, any Subcustodian or nominee shall be delivered to the successor custodian; and the Custodian agrees to cooperate with the Fund in the execution of documents and performance of other actions necessary or desirable in order to substitute the successor custodian for the Custodian under this Agreement.

ARTICLE VIII
DEFINED TERMS

The following terms are defined in the following sections:

<TABLE>
<CAPTION>

Term	Section
<S>	<C>
Account	2.22
ADRs	2.06
Authorized Person(s)	3.02
Banking Institution	2.12(a)
Business Day	Appendix "B"
Bank Accounts	2.21
Distribution Account	2.16
Domestic Subcustodian	4.01
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Overdraft Notice	2.28
Person	5.01(b)
Procedural Agreement	2.10
Proper Instructions	3.01(a)
SEC	2.22
Securities System	2.22

</TABLE>

ARTICLE IX
MISCELLANEOUS

Section 9.01. Execution of Documents, Etc.

(a) Actions by the Fund. Upon request, the Fund shall execute and deliver to the Custodian such proxies, powers of attorney or other instruments as may be reasonable and necessary or desirable in connection with the performance by the Custodian or any Subcustodian of their respective obligations under this Agreement or any applicable subcustodian agreement, provided that the exercise by the Custodian or any Subcustodian of any such rights shall in all events be in compliance with the terms of this Agreement.

(b) Actions by Custodian. Upon receipt of Proper Instructions, the Custodian shall execute and deliver to the Fund or to such other parties as the Fund may designate in such Proper Instructions, all such documents, instruments or agreements as may be reasonable and necessary or desirable in order to effectuate any of the transactions contemplated hereby.

Section 9.02. Representative Capacity; Nonrecourse Obligations. A COPY OF THE ARTICLES OF INCORPORATION OF THE FUND IS ON FILE WITH THE SECRETARY OF THE STATE OF THE FUND'S FORMATION, AND NOTICE IS HEREBY GIVEN THAT THIS AGREEMENT IS NOT EXECUTED ON BEHALF OF THE DIRECTORS OF THE FUND AS INDIVIDUALS, AND THE OBLIGATIONS OF THIS AGREEMENT ARE NOT BINDING UPON ANY OF THE DIRECTORS, OFFICERS, SHAREHOLDERS OR PARTNERS OF THE FUND INDIVIDUALLY, BUT ARE BINDING ONLY UPON THE ASSETS AND PROPERTY OF THE FUND. THE CUSTODIAN AGREES THAT NO SHAREHOLDER, DIRECTOR, OFFICER OR PARTNER OF THE FUND MAY BE HELD PERSONALLY LIABLE OR RESPONSIBLE FOR ANY OBLIGATIONS OF THE FUND ARISING OUT OF THIS AGREEMENT.

Section 9.03. Several Obligations of the Fund. WITH RESPECT TO ANY OBLIGATIONS OF THE FUND ARISING OUT OF THIS AGREEMENT, INCLUDING, WITHOUT LIMITATION, THE OBLIGATIONS ARISING UNDER SECTIONS 2.28, 5.03, 5.05 and ARTICLE VI HEREOF, THE CUSTODIAN SHALL LOOK FOR PAYMENT OR SATISFACTION OF ANY OBLIGATION SOLELY TO THE ASSETS AND PROPERTY OF THE FUND TO WHICH SUCH OBLIGATION RELATES AS THOUGH THE FUND HAD SEPARATELY CONTRACTED WITH THE CUSTODIAN BY SEPARATE WRITTEN INSTRUMENT.

Section 9.04. Representations and Warranties.

(a) Representations and Warranties of the Fund. The Fund hereby represents and warrants that each of the following shall be true, correct and complete at all times during the term of this Agreement: (i) the Fund is duly organized under the laws of its jurisdiction of organization and is registered as an closed-end management investment company under the 1940 Act; and (ii) the execution, delivery and performance by the Fund of this Agreement are (w) within its power, (x) have been duly authorized by all necessary action, and (y) will not (A) contribute to or result in a breach of

or default under or conflict with any existing law, order, regulation or ruling of any governmental or regulatory agency or authority, or (B) violate any

provision of the Fund's corporate charter or other organizational document, or bylaws, or any amendment thereof or any provision of its most recent Prospectus.

(b) Representations and Warranties of the Custodian. The Custodian hereby represents and warrants that each of the following shall be true, correct and complete at all times during the term of this Agreement: (i) the Custodian is duly organized under the laws of its jurisdiction of organization and qualifies to act as a custodian to closed-end management investment companies under the provisions of the 1940 Act; and (ii) the execution, delivery and performance by the Custodian of this Agreement are (w) within its power, (x) have been duly authorized by all necessary action, and (y) will not (A) contribute to or result in a breach of or default under or conflict with any existing law, order, regulation or ruling of any governmental or regulatory agency or authority, or (B) violate any provision of the Custodian's corporate charter, or other organizational document, or bylaws, or any amendment thereof.

Section 9.05. Entire Agreement. This Agreement constitutes the entire understanding and agreement of the parties hereto with respect to the subject matter hereof and accordingly, supersedes as of the effective date of this Agreement any custodian agreement heretofore in effect between the Fund and the Custodian.

Section 9.06. Waivers and Amendments. No provision of this Agreement may be waived, amended or terminated except by a statement in writing signed by the party against which enforcement of such waiver, amendment or termination is sought; provided, however: (a) Appendix "A" listing Foreign Subcustodians and Special Subcustodians approved by the Fund may be amended from time to time to add or delete one or more Foreign Subcustodians or Special Subcustodians by the Fund's execution and delivery to the Custodian of an amended Appendix "A", in which case such amendment shall take effect immediately upon execution by the Custodian; and (b) Appendix "B" setting forth the procedures relating to the Custodian's security interest may be amended only by an instrument in writing executed by the Fund and the Custodian.

Section 9.07. Interpretation. In connection with the operation of this Agreement, the Custodian and the Fund may agree in writing from time to time on such provisions interpretative of or in addition to the provisions of this Agreement as may in their joint opinion be consistent with the general tenor of this Agreement. No interpretative or additional provisions made as provided in the preceding sentence shall be deemed to be an amendment of this Agreement.

Section 9.08. Captions. Headings contained in this Agreement, which are included as convenient references only, shall have no bearing upon the interpretation of the terms of the Agreement or the obligations of the parties hereto.

Section 9.09. Governing Law. Insofar as any question or dispute may arise in connection with the custodianship of foreign securities pursuant to an agreement with a Foreign Subcustodian that is governed by the laws of the State of New York, the provisions of this Agreement shall be construed in accordance with and governed by the laws of the State of New York, provided that in all other instances this Agreement shall be construed in accordance with and governed by the laws of the Commonwealth of Massachusetts, in each case without giving effect to principles of conflicts of law.

Section 9.10. Notices. Except in the case of Proper Instructions or Special Instructions, notices and other writings contemplated by this Agreement shall be delivered by hand or by facsimile transmission (provided that in the case of delivery by facsimile transmission, notice shall also be mailed postage

prepaid to the parties at the following addresses:

(a) If to the Fund:

c/o Fidelity Management & Research Company
82 Devonshire Street
Boston, Massachusetts 02109
Attn: Gary L. French
Telephone: (617) 570-6556
Telefax: (617) 742-1231

(b) If to the Custodian:

Global Securities Services
Financial Institutions Markets
1211 Avenue of the Americas, 39th Floor
New York, NY 10036
Attn: Division Exc.
Telephone: (212) 789-4141
Telefax: (212) 789-4181

or to such other address as either party may have designated in writing to the other party hereto.

Section 9.11. Assignment. This Agreement shall be binding on and shall inure to the benefit of the Fund and the Custodian and their respective successors and assigns, provided that, subject to the provisions of Section 7.01 hereof, neither party hereto may assign this Agreement or any of its rights or obligations hereunder without the prior written consent of the other party.

Section 9.12. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original. This Agreement shall become effective when one or more counterparts have been signed and delivered by each of the parties.

Section 9.13. Confidentiality; Survival of Obligations. The parties hereto agree that each shall treat confidentially the terms and conditions of this Agreement and all information provided by each party to the other regarding its business and operations. All confidential information provided by a party hereto shall be used by any other party hereto solely for the purpose of rendering services pursuant to this Agreement and, except as may be required in carrying out this Agreement, shall not be disclosed to any third party without the prior consent of such providing party. The foregoing shall not be applicable to any information that is publicly available when provided or thereafter becomes publicly available other than through a breach of this Agreement, or that is required to be disclosed by

any bank examiner of the Custodian or any Subcustodian, any auditor of the parties hereto, by judicial or administrative process or otherwise by applicable law or regulation. The provisions of this Section 9.12 and Sections 9.01, 9.02, 9.03, 9.07, Section 2.28, Section 3.04, Section 7.01, Article V and Article VI hereof and any other rights or obligations incurred or accrued by any party hereto prior to termination of this Agreement shall survive any termination of this Agreement.

IN WITNESS WHEREOF, each of the parties has caused this Agreement to be executed in its name and behalf on the day and year first above written.

Fidelity Advisor KOREA FUND, INC. The Chase Manhattan Bank, N.A. Fund, Inc.

By: _____ By: _____
Name: _____ Name: _____
Title: _____ Title:_____

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APPENDIX "A"
TO
CUSTODIAN AGREEMENT
BETWEEN
Fidelity Advisor Korea FUND, inc.
and The Chase Manhattan Bank, N.A.

Dated as of _____, 1994

The following is a list of Foreign Subcustodians and Special Subcustodians under the Custodian Agreement dated as of _____, 1994:

A. Special Subcustodians: None.

Hongkong & Shanghai Banking Corp. Ltd., Seoul

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B. Foreign Subcustodians:

Country	Subcustodian	Depository

Fidelity Advisor Korea
Fund, Inc.

By: _____

Name: _____

Title:_____

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APPENDIX "B" TO THE
CUSTODIAN AGREEMENT BETWEEN

Fidelity Advisor Korea Fund, inc.
and The Chase Manhattan Bank, N.A.

Dated as of _____, 1994

PROCEDURES RELATING TO CUSTODIAN'S SECURITY INTEREST

As security for any Overdrafts (as defined in the Custodian Agreement) of the Fund, the Fund shall pledge, assign and grant to the Custodian a security interest in Collateral (as hereinafter defined), under the terms, circumstances and conditions set forth in this Appendix "B".

Section 1. Defined Terms. As used in this Appendix "B" the following terms shall have the following respective meanings:

(a) "Business Day" shall mean any day that is not a Saturday, a Sunday or a day on which the Custodian is closed for business.

(b) "Collateral" shall mean the securities having a fair market value (as determined in accordance with the procedures set forth in the prospectus for the Fund) equal to the aggregate of all Overdraft Obligations of the Fund: (i) identified in any Pledge Certificate executed on behalf of the Fund; or (ii) designated by the Custodian for the Fund pursuant to Section 3 of this Appendix B. Such securities shall consist of marketable securities held by the Custodian on behalf of the Fund or, if no such marketable securities are held by the Custodian on behalf of the Fund, such other securities designated by the Fund in the applicable Pledge Certificate or by the Custodian pursuant to Section 3 of this Appendix B.

(c) "Overdraft Obligations" shall mean the amount of any outstanding Overdraft(s) provided by the Custodian to the Fund together with all accrued interest thereon.

(d) "Pledge Certificate" shall mean a Pledge Certificate in the form attached to this Appendix "B" as Schedule 1 executed by a duly authorized officer of the Fund and delivered by the Fund to the Custodian by facsimile transmission or in such other manner as the Fund and the Custodian may agree in writing.

(e) "Release Certificate" shall mean a Release Certificate in the form attached to this Appendix "C" as Schedule 2 executed by a duly authorized officer of the Custodian and delivered by the Custodian to the Fund by facsimile transmission or in such other manner as the Fund and the Custodian may agree in writing.

(f) "Written Notice" shall mean a written notice executed by a duly authorized officer of the party delivering the notice and delivered by facsimile transmission or in such other manner as the Fund and the Custodian shall agree in writing.

Section 2. Pledge of Collateral. To the extent that any Overdraft Obligations of the Fund are not satisfied within one (1) Business Day after receipt by the Fund of a Written Notice requesting security for such

Overdraft Obligation and stating the amount of such Overdraft Obligation, the Fund shall pledge, assign and grant to the Custodian a first priority security interest, by delivering to the Custodian, a Pledge Certificate executed by the Fund describing the applicable Collateral. Such Written Notice may, in the discretion of the Custodian, be included within or accompany the Overdraft Notice relating to the applicable Overdraft Obligations.

Section 3. Failure to Pledge Collateral. In the event that the Fund shall fail: (a) to pay the Overdraft Obligation described in such Written Notice; (b) to deliver to the Custodian a Pledge Certificate pursuant to Section 2; or (c) to identify substitute securities pursuant to Section 6 upon the sale or maturity of any securities identified as Collateral, the Custodian may, by Written Notice to the Fund specify Collateral which shall secure the applicable Overdraft Obligation. The Fund hereby pledges, assigns and grants to the Custodian a first priority security interest in any and all Collateral specified in such Written Notice; provided that such pledge, assignment and grant of security shall be deemed to be effective only upon receipt by the Fund of such Written Notice.

Section 4. Delivery of Additional Collateral. If at any time the Custodian shall notify the Fund by Written Notice that the fair market value of the Collateral securing any Overdraft Obligation is less than the amount of such Overdraft Obligation, the Fund shall deliver to the Custodian, within one (1) Business Day following the Fund's receipt of such Written Notice, an additional Pledge Certificate describing additional Collateral. If the Fund shall fail to deliver such additional Pledge Certificate, the Custodian may specify Collateral which shall secure the unsecured amount of the applicable Overdraft Obligation in accordance with Section 3 of this Appendix B.

Section 5. Release of Collateral. Upon payment by the Fund of any Overdraft Obligation secured by the pledge of Collateral, the Custodian shall promptly deliver to the Fund a Release Certificate pursuant to which the Custodian shall release Collateral from the lien under the applicable Pledge Certificate or Written Notice pursuant to Section 3 having a fair market value equal to the amount paid by the Fund on account of such Overdraft Obligation. In addition, if at any time the Fund shall notify the Custodian by Written Notice that the Fund desires that specified Collateral be released and: (a) that the fair market value of the Collateral securing any Overdraft Obligation shall exceed the amount of such Overdraft Obligation; or (b) that the Fund has delivered a Pledge Certificate substituting Collateral for such Overdraft Obligation, the Custodian shall deliver to the Fund, within one (1) Business Day following the Custodian's receipt of such Written Notice, a Release Certificate relating to the Collateral specified in such Written Notice.

Section 6. Substitution of Collateral. The Fund may substitute securities for any securities identified as Collateral by delivery to the Custodian of a Pledge Certificate executed by the Fund, indicating the securities pledged as Collateral.

Section 7. Security for Fund Overdraft Obligations. The pledge of Collateral by the Fund shall secure only the Overdraft Obligations of the Fund. In no event shall the pledge of Collateral by one Fund be deemed or considered to be security for the Overdraft Obligations of any other Fund.

Section 8. Custodian's Remedies. Upon (a) the Fund's failure to pay any Overdraft Obligation of the Fund within thirty (30) days after receipt by the Fund of a Written Notice demanding security therefore, and (b) one (1) Business Day's prior Written Notice to the Fund, the Custodian may elect to enforce its security interest in the Collateral securing such Overdraft

Obligation, by taking title to (at the then prevailing fair market value), or selling in a commercially reasonable manner, so much of the Collateral as shall be required to pay such Overdraft Obligation in full. Notwithstanding the provisions of any applicable law, including, without

limitation, the Uniform Commercial Code, the remedy set forth in the preceding sentence shall be the only right or remedy to which the Custodian is entitled with respect to the pledge and security interest granted pursuant to any Pledge Certificate or Section 3, without limiting the foregoing, the Custodian hereby waives and relinquishes all contractual and common law rights of set off to which it may now or hereafter be or become entitled with respect to any obligations of the Fund to the Custodian arising under this Appendix B to the Agreement.

IN WITNESS WHEREOF, each of the parties has caused this Appendix to be executed in its name and behalf on the day and year first above written.

Fidelity Advisor Korea Fund, Inc.	The Chase Manhattan Bank, N.A.
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____

SCHEDULE 1
TO
APPENDIX "B"
PLEDGE CERTIFICATE

This Pledge Certificate is delivered pursuant to the Custodian Agreement dated as of March 19, 1994 (the "Agreement"), between Fidelity Advisor Korea Fund, Inc. (the "Fund") and The Chase Manhattan Bank, N.A. (the "Custodian"). Capitalized terms used herein without definition shall have the respective meanings ascribed to them in the Agreement. Pursuant to [Section 2 or Section 4] of Appendix "B" attached to the Agreement, the Fund hereby pledges, assigns and grants to the Custodian a first priority security interest in the securities listed on Exhibit "A" attached to this Pledge Certificate (collectively, the "Pledged Securities"). Upon delivery of this Pledge Certificate, the Pledged Securities shall constitute Collateral, and shall secure all Overdraft Obligations of the Fund described in that certain Written Notice dated_____, 19___, delivered by the Custodian to the Fund. The pledge, assignment and grant of security in the Pledged Securities hereunder shall be subject in all respect to the terms and conditions of the Agreement,

including, without limitation, Sections 7 and 8 of Appendix "B" attached thereto.

IN WITNESS WHEREOF, the Fund has caused this Pledge Certificate to be executed in its name, on behalf of the Fund this_____day of 19___.

Fidelity Advisor Korea Fund., Inc.

By: _____

Name: _____

Title:_____

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EXHIBIT "A"
TO
PLEDGE CERTIFICATE

<TABLE>
<CAPTION>

Issuer	Type of Security	Certificate/CUSIP Numbers	Number of Shares
<S>	<C>	<C>	<C>

</TABLE>

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SCHEDULE 2
TO
APPENDIX "B"

RELEASE CERTIFICATE

This Release Certificate is delivered pursuant to the Custodian Agreement dated as of March 19, 1994 (the "Agreement"), between Fidelity Advisor Korea Fund, Inc. (the "Fund") and The Chase Manhattan Bank, N.A. (the "Custodian"). Capitalized terms used herein without definition shall have the respective meanings ascribed to them in the Agreement. Pursuant to Section 5 of Appendix "B" attached to the Agreement, the Custodian hereby releases the securities listed on Exhibit "A" attached to this Release Certificate from the lien under the (Pledge Certificate dated ,19 or the Written Notice delivered pursuant to Section 3 of Appendix "B" dated , 19).

IN WITNESS WHEREOF, the Custodian has caused this Release Certificate

to be executed in its name and on its behalf this ____ day of 19__.

The Chase Manhattan Bank, N.A.

By: _____
Name: _____
Title: _____

EXHIBIT "A"
TO
RELEASE CERTIFICATE

<TABLE>
<CAPTION>

Issuer	Type of Security	Certificate/CUSIP Numbers	Number of Shares
<S>	<C>	<C>	<C>

</TABLE>

1

TRANSFER AGENCY AND SERVICE AGREEMENT

between

FIDELITY ADVISOR KOREA FUND, INC.

and

STATE STREET BANK AND TRUST COMPANY

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TRANSFER AGENCY AND SERVICE AGREEMENT

AGREEMENT made as of the day of , 1994, by and between FIDELITY ADVISOR KOREA FUND, INC., a Maryland corporation, having its principal office and place of business at 82 Devonshire Street, Boston, Massachusetts 02109, (the "Fund"), and STATE STREET BANK AND TRUST COMPANY, a Massachusetts trust company having its principal office and place of business at 225 Franklin Street, Boston, Massachusetts 02110 (the "Bank").

WHEREAS, the Fund desires to appoint the Bank as its transfer agent, dividend disbursing agent, custodian of certain retirement plans and agent in connection with certain other activities, and the Bank desires to accept such appointment;

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the

parties hereto agree as follows:

1. Terms of Appointment; Duties of the Bank

1.1 Subject to the terms and conditions set forth in this Agreement, the Fund hereby employs and appoints the Bank to act as, and the Bank agrees to act as its transfer agent for the Fund's authorized and issued shares of its common stock, ("Shares"), dividend disbursing agent, custodian of certain retirement plans and agent in connection with any dividend reinvestment plan as set out in the prospectus of the Fund, corresponding to the date of this Agreement.

1.2 The Bank agrees that it will perform the following services:

(a) In accordance with procedures established from time to time by agreement between the Fund and the Bank, the Bank shall:

(i) Issue and record the appropriate number of Shares as authorized and hold such Shares in the appropriate Shareholder account;

(ii) Effect transfers of Shares by the registered owners thereof upon receipt of appropriate instructions;

(iii) Execute transactions directly with broker-dealers authorized by the Fund who shall thereby be deemed to be acting on behalf of the Fund.

(iv) Prepare and transmit payment for dividends and distributions declared by the Fund;

(v) Act as agent for Shareholders pursuant to the dividend reinvestment and cash purchase plan as amended from time to time in accordance with the terms of the

agreement to be entered into between the Shareholders and the Bank.

(vi) Issue replacement certificates for those certificates alleged to have been lost, stolen or destroyed upon receipt by the Bank of indemnification satisfactory to the Bank and protecting the Bank and the Fund, and the Bank at its option, may issue replacement certificates in place of mutilated stock certificated upon presentation thereof and without such indemnity;

(b) In addition to and neither in lieu nor in contravention of the services set forth in the above paragraph (a), the Bank shall: (i) perform all the customary services of a registrar, transfer agent, dividend disbursing agent, custodian of certain retirement plans and agent of the dividend reinvestment and cash purchase plan as described in Article 1 consistent with those requirements in effect as at the date of this Agreement. The detailed definition, frequency, limitations and associated costs (if any) set out in the attached fee schedule, include but not limited to: maintaining all Shareholder accounts, preparing Shareholder meeting lists, mailing proxies, mailing Shareholder reports to current Shareholders, withholding taxes on U.S. resident and non-resident alien accounts, preparing and filing U.S. Treasury Department Forms 1099 and other appropriate forms required with respect to dividends and distributions by

federal authorities for all registered Shareholders.

(c) The Bank shall provide additional services on behalf of the Fund (i.e., escheatment services) which may be agreed upon in writing between the Fund and the Bank.

2. Fees and Expenses

2.1 For the performance by the Bank pursuant to this Agreement, the Fund agrees to pay the Bank an annual maintenance fee for each Shareholder account as set out in the initial fee schedule attached hereto. Such fees and out-of-pocket expenses and advances identified under Section 2.2 below may be changed from time to time subject to mutual written agreement between the Fund and the Bank.

2.2 In addition to the fee paid under Section 2.1 above, the Fund agrees to reimburse the Bank at such rate as may be agreed to from time to time for out-of-pocket expenses, including but not limited to confirmation production, postage, forms, telephone, microfilm, microfiche, tabulating proxies, records storage, or advances incurred by the Bank for the items set out in the fee schedule attached hereto. In addition, any other expenses incurred by the Bank at the request or with the consent of the

Fund, will be reimbursed by the Fund.

3. Representations and Warranties of the Bank

The Bank represents and warrants to the Fund that:

3.1 It is a trust company duly organized and existing and in good standing under the laws of the Commonwealth of Massachusetts.

3.2 It is duly qualified to carry on its business in the Commonwealth of Massachusetts.

3.3 It is registered as a transfer agent under the Securities Exchange Act of 1934, as amended.

3.4 It is empowered under applicable laws and by its Charter and By-Laws to enter into and perform this Agreement.

3.5 All requisite corporate proceedings have been taken to authorized it to enter into and perform this Agreement.

3.6 It has and will continue to have access to the necessary facilities, equipment and personnel to perform its duties and obligations under this Agreement.

4. Representations and Warranties of the Fund

The Fund represents and warrants to the Bank that:

4.1 It is a corporation duly organized and existing and in good standing under the laws of Maryland.

4.2 It is empowered under applicable laws and by its Articles of Incorporation and By-Laws to enter into and perform this Agreement.

4.3 All corporate proceedings required by said Articles of Incorporation and By-Laws have been taken to authorize it to enter into and perform this Agreement.

4.4 It is a closed-end, non-diversified investment company registered under the Investment Company Act of 1940, as amended.

4.5 To the extent required by federal securities laws a registration statement under the Securities Act of 1933 has been filed with the Securities and Exchange Commission, and appropriate state securities law filings have been or will be made with respect to all Shares of the Fund being offered for sale; information to the contrary will result in immediate notification to the Bank.

4.6 It shall make all required filings under federal and state securities laws.

5. Data Access and Proprietary Information

5.1 The Fund acknowledges that the data bases, computer programs, screen formats, report formats, interactive design techniques, and documentation manuals furnished to the Fund by the Bank as part of the Fund's ability to access certain Fund-related data ("Customer Data") maintained by the Bank on data bases under the control and ownership of the Bank or other third party ("Data Access Services") constitute copyrighted, trade secret, or other proprietary information (collectively, "Proprietary Information") of substantial value to the Bank or other third party. In no event shall Proprietary Information be deemed Customer Data. The Fund agrees to treat all Proprietary Information as proprietary to the Bank and further agrees that it shall not divulge any Proprietary Information to any person or organization except as may be provided hereunder. Without limiting the foregoing, the Fund agrees for itself and its employees and agents:

(a) to access Customer Data solely from locations as may be designated in writing by the Bank and solely in accordance with the Bank's applicable user documentation;

(b) to refrain form copying or duplicating in any way the Proprietary Information;

(c) to refrain from obtaining unauthorized access to any portion of the Proprietary Information, and if such access is inadvertently obtained, to inform in a timely manner of such fact and disposed of such information in accordance with the Bank's instructions;

(d) to refrain from causing or allowing third-party data acquired hereunder from being retransmitted to any other computer facility or other location, except with the prior written consent of the Bank;

(e) that the Fund shall have access only to those authorized transactions agreed upon by the parties;

(f) to honor all reasonable written requests made by the Bank to protect at the Bank's expense the rights of the Bank in Proprietary Information at common law, under federal copyright law and under other federal or state law.

Each party shall take reasonable efforts to advise its employees of their obligations pursuant to this Section 5. The obligations of this Section shall survive any earlier termination of this Agreement.

Each Data Entry Service shall be approved by the Fund prior to the Bank's reliance on data provided by such service in the

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performance of the Bank's duties hereunder.

5.2 If the Fund notifies the Bank that any of the Data Access Services do not operate in material compliance with the most recently issued user documentation for such services, the Bank shall endeavor in a timely manner to correct such failure. Organizations from which the Bank may obtain certain data included in the Data Access Services are solely responsible for the contents of such data and the Fund agrees to make no claim against the Bank arising out of the contents of such third-party data, including, but not limited to, the accuracy thereof. DATA ACCESS SERVICES AND ALL COMPUTER PROGRAMS AND SOFTWARE SPECIFICATIONS USED IN CONNECTION THEREWITH ARE PROVIDED ON AN AS IS, AS AVAILABLE BASIS. THE BANK EXPRESSLY DISCLAIMS ALL WARRANTIES EXCEPT THOSE EXPRESSLY STATED HEREIN INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

5.3 If the transactions available to the Fund include the ability to originate electronic instructions to the Bank in order to (i) effect the transfer or movement of cash or Shares or (ii) transmit Shareholder information or other information, (such transactions constituting a "COEFI"), then in such event the Bank shall be entitled to rely on the validity and authenticity of such instruction without undertaking any further inquiry as long as such instruction is undertaken in conformity with security procedures established by the Bank from time to time.

6. Indemnification

6.1 The Bank shall not be responsible for, and the Fund shall indemnify and hold the Bank harmless from and against, any and all losses, damages, costs, charges, reasonable counsel fees, payments, expenses and liability arising out of or attributable to:

(a) All actions of the Bank or its agent or subcontractors required to be taken pursuant to this Agreement, provided that such actions are taken in good faith and without negligence or willful misconduct.

(b) The Fund's lack of good faith, negligence or willful misconduct which arise out of the breach of any representation or warranty of the Fund hereunder.

(c) The reliance on or use by the Bank or its agents or subcontractors of information, records, documents or services which (i) are received by the Bank or its agents or subcontractors, and (ii) have been prepared, maintained or performed by the Fund or any other person or firm on behalf of the Fund including but not limited to any previous transfer agent or registrar.

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(d) The reliance on, or the carrying out by the Bank or its agents or subcontractors of any Proper Instructions or requests of the Fund. Proper Instructions shall mean instructions received from an individual duly authorized by the Fund in writing,

facsimile or in such other manner as may be agreed to from time to time.

(e) The offer or sale of Shares in violation of any requirement under the federal securities laws or regulations or the securities laws or regulations of any state that such Shares be registered in such state or in violation of any stop order or other determination or ruling by any federal agency or any state with respect to the offer or sale of such Shares in such state.

6.2 At any time the Bank may apply to any officer of the Fund for Proper Instructions, and may consult with legal counsel approved by the Fund with respect to any matter arising in connection with the services to be performed by the Bank under this Agreement, and the Bank and its agents or subcontractors shall not be liable and shall be indemnified by the Fund for any action taken or omitted by it in reliance upon such instructions or upon the opinion of such counsel. The Bank, its agents and subcontractors shall be protected and indemnified in acting upon any paper or document furnished by or on behalf of the Fund, reasonably believed to be genuine and to have been signed by the proper person or persons, or upon any instruction, information, data, records or documents provided the Bank or its agents or subcontractors by machine readable input, telex, CRT data entry or other similar means authorized by the Fund, and shall not be held to have notice of any change of authority of any person, until receipt of written notice thereof from the Fund.

6.3 In order that the indemnification provisions contained in this Section 6 shall apply, upon the assertion of a claim for which the Fund may be required to indemnify the Bank, the Bank shall promptly notify the Fund of such assertion, and shall keep the Fund advised with respect to all developments concerning such claim. The Fund shall have the option to participate with the Bank in the defense of such claim or to defend against said claim in its own name or in the name of the Bank. The Bank shall in no case confess any claim or make any compromise in any case in which the Fund may be required to indemnify the Bank except with the Fund's prior written consent.

7. Standard of Care

The Bank shall at all times act in good faith and agrees to use due care in the performance of its services under this Agreement, but assumes no responsibility and shall not be liable for loss or damage unless such loss or damage is caused by its negligence, bad faith, or willful misconduct or that of its

employees.

8. Covenants of the Fund and the Bank

8.1 The Fund shall promptly furnish to the Bank the following:

(a) A certified copy of the resolution of the Board of Directors of the Fund authorizing the appointment of the Bank and the execution and delivery of this Agreement.

(b) A copy of the Articles of Incorporation and By-Laws of the Fund and all amendments thereto.

8.2 The Bank hereby agrees to establish and maintain facilities and procedures reasonably acceptable to the Fund for safekeeping of stock certificates, check forms and facsimile signature imprinting devices,

if any; and for the preparation or use, and for keeping account of, such certificates, forms and devices.

8.3 The Bank shall keep records relating to the services to be performed hereunder, in the form and manner as it may deem advisable. To the extent required by Section 31 of the Investment Company Act of 1940, as amended, and the Rules thereunder, the Bank agrees that all such records prepared or maintained by the Bank relating to the services to be performed by the Bank hereunder are the property of the Fund and will be preserved, maintained and made available in accordance with such Section and Rules, and will be surrendered promptly to the Fund on and in accordance with its request.

8.4 The Bank and the Fund agree that all books, records, information and data pertaining to the business of the other party which are exchanged or received pursuant to the negotiation or the carrying out of this Agreement shall remain confidential, and shall not be voluntarily disclosed to any other person, except as may be required by law.

8.5 In case of any requests or demands for the inspection of the Shareholder records of the Fund, the Bank will endeavor to notify the Fund and to secure instructions from an authorized officer of the Fund as to such inspection. The Bank reserves the right, however, to exhibit the Shareholder records to any person whenever it is advised by its counsel that it may be held liable for the failure to exhibit the Shareholder records to such person.

9. Termination of Agreement

9.1 This Agreement may be terminated (1) by the Bank upon one hundred twenty (120) days written notice to the Fund or (2) by the Fund upon sixty (60) days written notice to the Bank.

9.2 Should the Fund exercise its right to terminate, all reasonable out-of-pocket expenses associated with the movement of records and material will be borne by the Fund.

10. Assignment

10.1 Except as provided in Section 10.3 below, neither this Agreement nor any rights or obligations hereunder may be assigned by either party without the written consent of the other party.

10.2 This Agreement shall inure to the benefit of and be binding upon the parties and their respective permitted successors and assigns.

10.3 The Bank may, without further consent on the part of the Fund, subcontract for the performance hereof with (i) Boston Financial Data Services, Inc. a Massachusetts corporation ("BFDS") which is duly registered as a transfer agent pursuant to Section 17A(c)(1) of the Securities Exchange Act of 1934, as amended ("Section 17A(c)(1)"), (ii) a BFDS subsidiary duly registered as a transfer agent pursuant to Section 17A(c)(1), (iii) a legally qualified BFDS affiliate or (iv) an employee of any of the foregoing entities; provided, however, that the Bank shall be as fully responsible to the Fund for the acts and omissions of any subcontractor as it is for its own acts and omissions.

11. Amendment

This Agreement may be amended or modified by a written agreement executed by both parties and authorized or approved by a resolution

of the Board of Directors of the Fund.

12. Massachusetts Law to Apply

This Agreement shall be construed and the provisions thereof interpreted under and in accordance with the laws of the Commonwealth of Massachusetts.

13. Force Majeure

In the event either party is unable to perform its obligations under the terms of this Agreement because of acts of God, strikes, equipment or transmission failure or damage reasonably beyond its control, or other causes reasonably beyond its control, such party shall not be liable for damages to the other for any damages resulting from such failure to perform or otherwise from such causes.

14. Consequential Damages

Neither party to this Agreement shall be liable to the other party for consequential damages under any provision of this

Agreement or for any consequential damages arising out of any act or failure to act hereunder.

15. Merger of Agreement

This Agreement constitutes the entire agreement between the parties hereto and supersedes any prior agreement with respect to the subject matter hereof whether oral or written.

16. Counterparts

This Agreement may be executed by the parties hereto on any number of counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in their names and on their behalf by and through their duly authorized officers, as of the day and year first above written.

FIDELITY ADVISORS KOREA FUND, INC.

BY:_____

ATTEST:

_____

STATE STREET BANK AND TRUST COMPANY

BY:_____
Executive Vice President

ATTEST:

_____

ADMINISTRATION AGREEMENT
between
FIDELITY ADVISOR KOREA FUND, INC.
and
FIDELITY SERVICE CO.

AGREEMENT dated as of _____, 1994 between Fidelity Advisor Korea Fund, Inc., a Maryland corporation (the "Fund"), and FMR Corp., a Massachusetts corporation, acting through its Fidelity Service Co. (the "Administrator") division.

WHEREAS, the Fund wishes to employ the services of the Administrator, with such assistance from the Administrator's affiliated companies as the latter may provide; and

WHEREAS, the Administrator wishes to provide such services under the conditions set forth below.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained in this Agreement, the Fund and the Administrator agree as follows:

1. Appointment. The Fund hereby appoints and employs the Administrator and the Administrator accepts the appointment as agent to perform the services described herein.

2. Fund Administration. Subject to the direction and control of the Board of Directors of the Fund, the Administrator shall assist in supervising aspects of the Fund's operation not otherwise supervised by the Fund's investment manager, investment adviser, sub-investment adviser, transfer agent, custodian, auditors, counsel or other agents.

To the extent not otherwise the responsibility of, or provided by, the Fund or other agents of the Fund, the Administrator shall provide: (i) office space, equipment and facilities (which may be the Administrator's or its affiliates) for performing administrative services hereunder; (ii) non-investment related statistical and research data and such other reports, evaluations, and information as the Fund may request from time to time; (iii) internal clerical and accounting services; and (iv) stationery and office supplies. The Administrator shall prepare: (i) to the extent requested by the Fund, the Fund's Prospectus and Annual and Semi-Annual Reports to Shareholders; (ii) for execution and filing all federal and state tax returns and required filings with the Securities and Exchange Commission and state Blue Sky authorities; and (iii) applications and filings in connection with required

fidelity bonds and other insurances, including directors' and officers' insurance, as requested by the Fund. The Administrator shall also: (i) keep and maintain the financial accounts and records of the Fund; and (ii) generally assist as requested from time to time by the Fund's investment manager, in other aspects of the Fund's operations, as appropriate, including monitoring performance of the Fund's other agents.

In compliance with the requirements of Rule 31a-3 under the Investment Company Act of 1940 (the "1940 Act"), the Administrator hereby agrees that all records which it maintains with respect to the Fund are the property of the Fund, and further agrees to surrender promptly to the Fund any of such records upon the Fund's request. Administrator further agrees to preserve for the periods prescribed by Rule 31a-2 under the 1940 Act the records subject to Rule 31a-1 under the 1940 Act that are maintained by the Administrator.

3. Fund Accounting; Securities Lending, and Trading Desk Services. The Administrator shall perform the obligations and the services set forth in the attached schedules upon the terms and conditions hereinafter set forth. The Administrator shall be responsible for performing as agent, as of the date of this Agreement, the services described in the following schedules attached hereto and made a part hereof, as said schedules may be amended from time to time:

Schedule A: Agent for pricing and bookkeeping.

Schedule B: Agent for securities lending transactions.

Schedule C: Agent for portfolio executions.

Operating procedures and standards to be followed for each function may be established from time to time by agreement between the Fund and the Administrator. The above schedules may be amended or deleted, or additional schedules may be included, as deemed necessary from time to time by agreement between the Fund and the Administrator. Deletion of any schedule shall be in accordance with the termination provisions of Paragraph 13 of this Agreement. Each schedule and any amendments thereto shall be dated and signed by the parties to this Agreement.

4. Audits, Inspections and Visits. The Administrator shall make available during regular business hours all records and other data created and maintained hereunder for reasonable audit and inspection by the Fund, any agent or person designated by the Fund, or any regulatory agency having authority over the Fund. Upon reasonable notice by the Fund, the Administrator shall make available during regular business hours its facilities and premises employed in connection with its performance of this Agreement for reasonable visits by the Fund, any agent or person designated by the Fund, or any regulatory agency having authority over the Fund.

5. Appointment of Agents. The Administrator, at its expense, may at any time or times in its discretion appoint (and may at any time remove) one or

more other parties as Agent to perform any or all of the services specified hereunder and to carry out such provisions of this Agreement as the Administrator may from time to time direct; provided, however, that the appointment of any such Agent shall not relieve the Administrator of any of its responsibilities or liabilities hereunder.

6. Use of the Administrator's Name. The Fund shall not use the name of the Administrator in any Prospectus, sales literature or other material relating to the Fund in a manner not consented to prior to use; provided, however, that the Administrator shall approve all uses of its name which merely refer in accurate terms to its appointments, duties or fees hereunder or which are required by the Securities and Exchange Commission or a state securities commission; and further provided, that in no event shall such approval be unreasonably withheld.

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7. Use of Fund's Name. The Administrator shall not use the name of the Fund or material relating to the Fund on any forms (including any checks, bank drafts or bank statements) for other than internal use in a manner not consented to prior to use, provided, however, that the Fund shall approve all uses of its name which merely refer in accurate terms to the appointment of the Administrator hereunder or which are required by the Securities and Exchange Commission or a state securities commission; and further, provided that in no event shall such approval be unreasonably withheld.

8. Security. The Administrator represents and warrants that, to the best of its knowledge, the various procedures and systems which the Administrator has implemented with regard to the safeguarding from loss or damage attributable to fire, theft or any other cause (including provision for twenty-four hours a day restricted access) of the Fund's blank checks, certificates, records and other data and the Administrator's records, data, equipment, facilities and other property used in the performance of its obligations hereunder are adequate, and that it will make such changes therein from time to time as in its judgment are required for the secure performance of its obligations hereunder. The Administrator shall review such systems and procedures on a periodic basis and the Fund shall have access to review these systems and procedures.

9. Insurance. The Administrator shall maintain or shall arrange for its agents to maintain insurance of the types and in the amounts deemed by it to be appropriate and shall notify the Fund should any of its insurance coverage be changed for any reason. Such notification shall include the date of change and the reason or reasons therefor. The Administrator shall notify the Fund of any material claims against the Administrator, whether or not they may be covered by insurance, and shall notify the Fund from time to time as may

be appropriate of the total outstanding claims made by the Administrator under its insurance coverage. Nothing in this Agreement shall be construed to relieve an insurer of any obligation to pay claims to the Fund, the Administrator its agents or other insured party which would otherwise be a covered claim in the absence of any provision of this Agreement.

10. Indemnification.

A. The Fund shall indemnify and hold the Administrator harmless against any losses, claims, damages, liabilities or expenses (including reasonable counsel fees and expenses) resulting from:

(1) any claim, demand, action or suit brought by any person other than the Fund, including by a shareholder, which names the Administrator or its agents and/or the Fund as a party and is not based on and does not result from the Administrator's willful misfeasance, bad faith or negligence or reckless disregard of duties of the Administrator or its agents, and arises out of or in connection with the performance hereunder; or

(2) any claim, demand, action or suit (except to the extent contributed to by the Administrator's willful misfeasance, bad faith or negligence or reckless disregard of duties) which results from the negligence of the Fund, or from the Administrator's acting upon any instruction(s) reasonably believed by it to have been executed or communicated by any person duly authorized by the Fund, or as a result of the Administrator's acting in reliance upon advice reasonably believed by the Administrator

or its agents to have been given by counsel for the Fund, or as a result of the Administrator's or its agents acting in reliance upon any instrument or stock certificate reasonably believed by it to have been genuine and signed, countersigned or executed by the proper person.

B. The Administrator shall indemnify and hold the Fund harmless against any losses, claims, damages, liabilities or expenses (including reasonable counsel fees and expenses) resulting from any claim, demand, action or suit brought by any person other than the Administrator, which names the Fund and/or the Administrator as a party and is based upon and arises out of the Administrator's willful misfeasance, bad faith or negligence or

reckless disregard of duties in connection with its performance hereunder.

In the event that either party requests the other to indemnify or hold it harmless hereunder, the party requesting indemnification (the "Indemnified Party") shall inform the other party (the "Indemnifying Party") of the relevant facts known to the Indemnified Party concerning the matter in question. The Indemnified Party shall use reasonable care to identify and promptly to notify the Indemnifying Party concerning any matter which presents, or appears likely to present, a claim for indemnification. The Indemnifying Party shall have the election of defending the Indemnified Party against any claim which may be the subject of indemnification or of holding the Indemnified Party harmless hereunder. In the event the Indemnifying Party so elects, it will so notify the Indemnified Party and thereupon the Indemnifying Party shall take over defense of the claim and, if so requested by the Indemnifying Party, the Indemnified Party shall incur no further legal or other expenses related thereto for which it shall be entitled to indemnity or to being held harmless hereunder; provided, however, that nothing herein shall prevent the Indemnified Party from retaining counsel at its own expense to defend any claim. Except with the Indemnifying Party's prior written consent, the Indemnified Party shall in no event confess any claim or make any compromise in any matter in which the Indemnifying Party will be asked to indemnify or hold the Indemnified Party harmless hereunder.

11. Acts of God, etc. The Administrator shall not be liable for delays or errors occurring by reason of circumstances beyond its control, including but not limited to acts of civil or military authority, national emergencies, work stoppages, fire, flood, catastrophe, acts of God, insurrection, war, riot, or failure of communication equipment of common carriers or power supply. In the event of equipment breakdowns beyond its control, the Administrator shall, at no additional expense to the Fund, take reasonable steps to minimize the service interruptions and mitigate their effects but shall have no liability with respect thereto. The Administrator shall enter into and shall maintain in effect with appropriate parties one or more agreements making reasonable provision for emergency use of electronic data processing equipment.

12. Amendments. The Administrator and the Fund shall regularly consult with each other regarding the Administrator's performance of its obligations and its compensation hereunder. In connection therewith, the Fund shall submit to the Administrator at a reasonable time in advance of filing with the Securities and Exchange Commission copies of any amended or supplemented registration statements (including exhibits) under the Securities Act of 1933, as amended, and the Investment Company Act of 1940, as amended, and, a reasonable time in advance of their proposed use, copies of any amended or supplemented forms relating to any plan, program or the services offered by the Fund. Any change in such material which would require any change in the Administrator's

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obligations hereunder shall be subject to the Administrator's approval, which shall not be unreasonably withheld. In the event that a change in such documents or in the procedures contained therein materially increases the cost to the Administrator of performing its obligations hereunder, the Administrator shall be entitled to receive reasonable compensation therefor.

13. Duration, Termination, etc. Neither this Agreement nor any provisions hereof may be changed, waived, discharged or terminated orally, but only by written instrument which shall make specific reference to this Agreement and which shall be signed by the party against which enforcement of such change, waiver, discharge or termination is sought.

This Agreement shall continue in effect until _____, 1995 and indefinitely thereafter so long as such continuance is approved at least annually by vote of the Fund's Board of Directors; provided, however, that this Agreement may be terminated at any time by six months' written notice given by the Administrator to the Fund or six months' written notice given by the Fund to the Administrator; and provided further that this Agreement may be terminated immediately at any time for cause either by the Fund or by the Administrator in the event that such cause remains unremedied for a reasonable period of time not to exceed ninety days after receipt of written specification of such cause. Any such termination shall not affect the rights and obligations of the parties under paragraph 10 hereof.

Upon the termination hereof, the Fund shall pay to the Administrator such compensation as may be due for the period prior to the date of such termination. In the event that the Fund designates a successor to any of the Administrator's obligations hereunder, the Administrator shall, at the expense and direction of the Fund, transfer to such successor all relevant books, records and other data established or maintained by the Administrator hereunder. To the extent that the Administrator incurs expenses related to a transfer of responsibilities to a successor, the Administrator shall be entitled to be reimbursed for such expenses, including any out-of-pocket expenses reasonably incurred by the Administrator in connection with the transfer.

14. Fees. As compensation for the services, facilities and personnel which the Administrator is to provide or cause to be provided, the Fund shall, beginning with its commencement of operations, pay to the Administrator an annual fee, which shall be computed and accrued daily and paid in arrears on the first business day of every month, at the annual rate of .20% of the average net assets of the Fund.

For the purpose of determining fees payable to the Administrator, the value of the net assets of the Fund shall be computed in the manner described in the Fund's Prospectus. The fee for any partial month under this Agreement shall be calculated on a proportional basis.

The services of the Administrator provided hereunder are not to be deemed exclusive and the Administrator shall be free to render similar services to others and engage in other activities. The Administrator or its affiliates shall be free to enter other agreements with the Fund for providing additional services to the Fund which are not covered by this Agreement, and to receive additional compensation for such services.

15. Expenses. The Administrator shall bear all expenses in connection with its performance of services hereunder. The Fund will pay, or contract with persons not parties to this Agreement to pay for, all its expenses other than those expressly stated to be payable by the Administrator hereunder, which expenses payable by the Fund shall include, without limitation, (i) interest and taxes; (ii) brokerage commissions and other costs in connection with the purchase or sale of securities and other

investment instruments; (iii) fees and expenses of the Fund's Directors other than those who are "interested" persons of the Fund, the Investment Manager, or the Administrator; (iv) legal and audit expenses (other than services provided by the Administrator); (v) custodian, pricing and bookkeeping, registrar and transfer agent fees and expenses; (vi) fees and expenses related to the registration and qualification of the Fund's shares for distribution under state and federal securities laws; (vii) expenses of printing and mailing reports and notices and proxy material to shareholders of the Fund; (viii) all other expenses incidental to holding meetings of the Fund's shareholders, including proxy solicitations therefor; (ix) expenses of typesetting Prospectuses and supplements thereto; (x) expenses of printing and mailing any notice to existing shareholders; (xi) 50% of the insurance premiums for fidelity bonds and other coverage to the extent approved by the Board of Directors; (xii) association membership dues authorized by the Board of Directors; and (xiii) such nonrecurring or extraordinary expenses as may arise, including those relating to actions, suits, or proceedings to which the Fund is a party or to which the Fund's assets are subject and the legal obligation which the Fund may have to indemnify the Fund's Directors and officers with respect thereto.

The Administrator has no obligation to reimburse the Fund for (or to have deducted from its fees) any Fund expense in excess of expense limitations, if any, imposed by state securities authorities having jurisdiction over the Fund.

16. Proprietary and Confidential Information. Administrator agrees on behalf of itself and its employees to treat confidentially and as proprietary information of the Fund all records and other information relative to the Fund

and prior, present or potential shareholders, and not to use such records and information for any purpose other than performance of its responsibilities and duties hereunder, except after prior notification to and approval in writing by the Fund, which approval shall not be unreasonably withheld and may not be withheld and will be deemed granted where Administrator may be exposed to civil or criminal contempt proceedings for failure to comply, when requested to divulge such information by duly constituted authorities, or when so requested by the Fund. The Fund agrees that any information obtained by the Administrator, or an affiliate, independently and not from the Fund, shall not be deemed to be confidential and proprietary.

17. Miscellaneous. Each party agrees to perform such further acts and execute such further documents as are necessary to effectuate the purposes hereof. This Agreement shall be construed and enforced in accordance with and governed by the laws of the Commonwealth of Massachusetts, without giving effect to the choice of laws provisions thereof. The captions in this Agreement are included for convenience of reference only and in no way define or delimit any of the provisions hereof or otherwise affect their construction or effect. This Agreement may be executed simultaneously in one or more counterparts, each of which taken together shall constitute one and the same instrument.

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IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the day and year first above written.

FIDELITY SERVICE CO.,
a division of FMR CORP.

By: _____

Title: _____

FIDELITY ADVISOR KOREA
FUND, INC.

By: _____

Title: _____

[ROGERS AND WELLS LETTERHEAD]

October , 1994

Fidelity Advisor Korea Fund, Inc.
82 Devonshire Street
Boston, Massachusetts 02109

Ladies and Gentlemen:

We have acted as counsel for Fidelity Advisor Korea Fund, Inc., a Maryland corporation (the "Fund"), in connection with the organization of the Fund, its registration as a closed-end investment company under the Investment Company Act of 1940, as amended (the "1940 Act"), and the preparation and filing with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "1933 Act"), and the 1940 Act of a Registration Statement on Form N-2 (the "Registration Statement") relating to the proposed public offering by the Fund of up to shares of common stock, par value $0.001 per share (the "Shares") of the Fund.

In so acting, we have examined and relied upon originals or copies, certified or otherwise identified to our satisfaction, of such corporate records, documents, certificates and other instruments as in our judgment are necessary or appropriate to enable us to render the opinions expressed below. As to matters governed by the laws of the State of Maryland, we have relied on the opinion of Messrs. Piper & Marbury attached hereto.

Based upon the foregoing, and on such examination of law as we have deemed necessary, we are of the opinion that:

1. The Fund has been duly incorporated and is validly existing in good standing under the laws of the State of Maryland.

2. When the Shares have been offered and sold as contemplated in the Registration Statement and in accordance

with the terms of the U.S. Underwriting Agreement and the International

Underwriting Agreement, each filed as an Exhibit to the Registration Statement, the Shares will be validly issued, fully paid and non-assessable.

We consent to the filing of this opinion with the Securities and Exchange Commission as an Exhibit to the Registration Statement and to the reference to this firm under the heading "Legal Matters" in the form of prospectus contained therein. In giving this consent, we do not admit that we are within the category of persons whose consent is required under Section 7 of the 1933 Act or the rules and regulations of the Securities and Exchange Commission thereunder.

Very truly yours,

ROGERS & WELLS

[PIPER & MARBURY LETTERHEAD]

October 24, 1994

Rogers & Wells
200 Park Avenue
New York, New York 10166

Re: Fidelity Advisor Korea Fund, Inc.

Dear Sirs:

We have acted as Maryland counsel to Fidelity Adivsor Korea Fund, Inc., a Maryland corporation (the "Company"), in connection with the Company's Registration Statement on Form N-2, including all amendments or supplements thereto, filed with the Securities and Exchange Commission (the "Commission") under the Securities Act ot 1933, as amended (the "Act"), and the Investment Company Act of 1940, as amended (File Nos. 33-81186 and 811-8608) and the issuance of shares of the Company's Common Stock, par value of $0.001 per share (the "Shares"), pursuant to the Registration Statement.

In this capacity, we have examined the Company's charter and by-laws, the proceedings of the Board of Directors of the Company relating to the issuance of the Shares and such other statutes, certificates, instruments and documents relating to the Company and matters of law as we have deemed necessary to the issuance of this opinion. In such examination, we have assumed the genuineness of all signatures, the conformity of final documents in all material respects to the versions thereof submitted to us in draft form, the authenticity of all documents submitted to us as originals, and the conformity with originals of all documents submitted to us as copies.

Based upon the foregoing, and limited in all respects to applicable Maryland law, we are of the opinion and advise you that:

1. The Company has been duly incorporated and is validily existing as a corporation under the laws of the State of Maryland.

2. The Shares to be issued by the Company pursuant to the Registration Statement have been duly authorized and, when issued as contemplated in the Registration Statement, will be validly issued, fully paid and nonassessable.

You may rely upon this opinion in rendering your opinion to the Company which is to be filed as an exhibit to the Registration Statement. We hereby consent to the filing of this opinion as an exhibit to the Registration Statement. In giving our consent, we do not thereby admit that we are in the category of persons whose consent is required under Section 7 of the Act or the Rules and Regulations of the Commission thereunder.

Very truly yours,

PIPER & MARBURY

[SHIN AND KIM LETTERHEAD]

October , 1994

Fidelity Advisor Korea Fund, Inc.
82 Devonshire Street
Boston, MA 02109
U.S.A.

RE: FIDELITY ADVISOR KOREA FUND, INC.
SEC FILE NO. 33-81186

Ladies and Gentlemen:

We have acted as Korean counsel to Fidelity Advisor Korea Fund, Inc. in connection with the preparation and filing of a registration statement on Form N-2 (the "Registration Statement") relating to the offering of up to shares of common stock.

As such counsel, it is our opinion that the conclusions based on Korean tax law expressed under the heading "Taxation-Korean Taxes" in the Prospectus (the "Prospectus") contained in the Registration Statement are true and correct.

We consent to the use of this letter as an exhibit to the Registration Statement and to the reference to us in the Prospectus under the section captioned "Legal Matters". In giving our consent, we do not admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, or the Rules and Regulations of the Securities and Exchange Commission thereunder.

Sincerely yours,

/s/ SHIN & KIM

Shin & Kim

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CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in the Prospectus constituting part of this Pre-Effective Amendment No. 3 to the registration statement (Securities Act of 1933 No. 33-81186 and Investment Company Act of 1940 No. 811-8608) on Form N-2 of Fidelity Advisor Korea Fund, Inc. of our report dated October 21, 1994, relating to the financial statement of Fidelity Advisor Korea Fund, Inc. which appears in such Prospectus.

PRICE WATERHOUSE LLP
Boston, Massachusetts
October 21, 1994

October , 1994

Fidelity Advisor Korea Fund, Inc.
82 Devonshire Street
Boston, Massachusetts 02109

Ladies and Gentlemen:

Fidelity Management & Research Company ("FMR") agrees to purchase 7,093 shares of Common Stock, par value $.001 per share (the "Shares"), of Fidelity Advisor Korea Fund, Inc. (the "Fund") at a price of $14.10 per share. FMR shall tender to the Fund the amount of $100,011 in full payment for the Shares.

FMR represents and warrants to the Fund that the Shares are being acquired for investment and not with a view to distribution thereof, and that FMR has no present intention to redeem or dispose of any of the Shares.

Very truly yours,

FIDELITY MANAGEMENT & RESEARCH COMPANY

By: Gary L. French
Title: Vice President