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No. 7939

UNITED STATES OF AMERICA
and
REPUBLIC OF CHINA

Exchange of notes (with annex) constituting an agreement relating to the establishment of a Sino-American Fund for Economic and Social Development. Taipei, 9 April 1965

Official texts: English and Chinese.

Registered by the United States of America on 24 September 1965.

ÉTATS-UNIS D'AMÉRIQUE
et
RÉPUBLIQUE DE CHINE

Échange de notes (avec annexe) constituant un accord relatif à la création d'un Fonds sino-américain de développement économique et social. Taïpeh, 9 avril 1965

Textes officiels anglais et chinois.

Enregistré par les États-Unis d'Amérique le 24 septembre 1965.

No. 7939. EXCHANGE OF NOTES CONSTITUTING AN AGREEMENT¹ BETWEEN THE UNITED STATES OF AMERICA AND THE REPUBLIC OF CHINA RELATING TO THE ESTABLISHMENT OF A SINO-AMERICAN FUND FOR ECONOMIC AND SOCIAL DEVELOPMENT. TAIPEI, 9 APRIL 1965

I

The American Ambassador to the Chinese Minister of Foreign Affairs

Taipei, April 9, 1965

No. 60

Excellency :

I have the honor to refer to the Economic Aid Agreement between the Government of the United States of America and the Government of the Republic of China, dated July 3, 1948,² as amended, and to the exchange of notes dated August 5, 1948,³ as amended, providing for the establishment of a Sino-American Joint Commission on Rural Reconstruction. I refer also to discussions which have recently taken place between representatives of our two Governments concerning arrangements with respect to the utilization of the New Taiwan dollars generated as a consequence of assistance furnished by the Government of the United States of America to the Government of the Republic of China.

Article V of the Economic Aid Agreement stipulates, following the provisions on specific uses of such funds, that the balance thereof shall be disposed of by the Government of the Republic of China only for such purposes as may be agreed upon from time to time with the Government of the United States of America. The Government of the United States of America has heretofore expressed its agreement in this regard through the United States Aid Mission to China. With the closing of that Mission on June 30, 1965, I have the honor to propose that the remaining balances of such funds held by the Government of the Republic of China as of July 1, 1965, and all such funds to be received thereafter, be transferred to and consolidated in a single fund to be designated the Sino-American Fund for Economic and Social Development (hereinafter called "Sino-American Development Fund") and to be made available for the economic and social development of the Republic of China

¹ Came into force on 1 July 1965, in accordance with the terms of the said notes.

² United Nations, *Treaty Series*, Vol. 17, p. 119 ; Vol. 45, p. 326 ; Vol. 76, p. 245, and Vol. 235, p. 354.

³ United Nations, *Treaty Series*, Vol. 82, p. 109.

in accordance with the arrangements set forth hereunder. In consideration of these arrangements, no further approval by the Government of the United States of America with respect to the use of these funds will be required after July 1, 1965.

Status of Funds

The status of the Counterpart Special Account and other related accounts as of October 31, 1964, is as set forth in the Annex hereto. These accounts shall be held open until June 30, 1965, with deposits into and withdrawals from such accounts continuing on the same basis as presently pertains to them. Closing balances of such accounts as of June 30, 1965 shall be verified and agreed to by representatives of our two Governments.

The Sino-American Development Fund Account

A. Effective July 1, 1965, all undisbursed funds owned by the Government of the Republic of China and held in the several accounts listed in the Annex hereto shall be released and transferred to a new consolidated account to be established in the Central Bank of China and/or Bank of Taiwan and to be designated the Sino-American Development Fund Account. Amounts thereafter received which, except for these arrangements, would have been subject to deposit in any of the accounts listed in the Annex hereto and refunds collected in connection with grants and reflows of interest and principal on loans, both as made from the Sino-American Development Fund, shall likewise be deposited in the Sino-American Development Fund Account

B. Effective July 1, 1965, the Government of the United States of America shall disburse to the Government of the Republic of China the funds then available for loans to the Government of the Republic of China in accordance with credit agreements entered into by our two Governments pursuant to sales agreements under Title I of the Agricultural Trade Development and Assistance Act of 1954, as amended. Thereafter, when additional funds become available in accordance with such credit agreements, they shall similarly be disbursed to the Government of the Republic of China. All such funds shall be deposited in a funded sub-account of the Sino-American Development Fund Account, and shall be available only for loans in accordance with the provisions of the related credit agreements (except that agreement as to the projects or other economic development purposes of such loans shall no longer be required) and the procedures and criteria governing the uses of the Sino-American Fund for Economic and Social Development. Funds provided under any such credit agreement which have not been obligated by the Government of the Republic of China through the execution of loan agreements within three years of the date of the related sales agreement or amendment thereof shall be refunded to the Government of the United States of America.

C. The Counterpart Special Account shall be held open for the purpose of receiving deposits of Chinese currency as provided in the Economic Aid Agreement. Follow-

ing any such deposit, the funds so deposited shall be transferred from such account to the Sino-American Development Fund Account. All other accounts of the Government of the Republic of China listed in the Annex hereto will be closed out following the transfer of the undisbursed funds therein to the Sino-American Development Fund Account.

Uses of the Sino-American Development Fund

A. With the exception of the sub-account referred to in paragraph B under "The Sino-American Development Fund Account" above, the Sino-American Development Fund may be used to make repayments of principal, and payments of interest, on loans made by the Government of the United States of America to the Government of the Republic of China with respect to which New Taiwan dollars have been paid into the accounts listed in the Annex hereto or would have been paid into any of such accounts except for these arrangements.

B. The balance of funds available in the Sino-American Development Fund, after necessary provisions have been made to meet the requirements with respect to loan repayments set forth in paragraph A next above, may, in furtherance of the purposes of the Economic Aid Agreement and exchange of notes dated August 5, 1948, be used only for the following purposes :

1. To finance the costs of programs and projects approved prior to July 1, 1965, for financing from any of the accounts listed in the Annex hereto in accordance with the conditions of such approvals.
2. For loans and grants to finance economic and social development in the Republic of China, with no less than fifteen percent of the funds made available for such loans and grants in any fiscal year to be allocated for the use of the agricultural sector.
3. For technical cooperation with developing friendly nations.
4. For contributions to finance educational exchange activities supplementary to United States appropriated funds made available for such purpose under the agreement relating to educational and cultural activities signed at Taipei on April 23, 1964.¹
5. For the payment of port storage, inland transportation, and handling charges with respect to commodities imported by or destined for U.S. voluntary nonprofit relief agencies for approved projects in the Republic of China.
6. For salaries and administrative expenses of agencies undertaking the planning, operation and administration of economic and social development projects and programs financed with the resources of the Sino-American Development Fund, namely, the Council for International Economic Cooperation and Development (CIECD), the Joint Commission on Rural Reconstruction (JCRR), and the salaries

¹ United Nations, *Treaty Series*, Vol. 524, p. 141.

and administrative expenses of the secretariat staff of the Managing Committee for Sino-American Fund for Economic and Social Development, hereinafter referred to.

7. For expenditures pursuant to Article V, paragraph 3 of the Economic Aid Agreement.

It is recognized that the Sino-American Development Fund Account will not be adequate to provide for all of the essential requirements of economic and social development in the future, and accordingly, that it will be increasingly necessary for the Government of the Republic of China to provide through regular budgets those additional financial resources required for economic and social development.

C. Procedures and criteria for developing and approving programs and projects for the uses described in subparagraphs 2 through 5 of paragraph B next above shall be determined between CIECD, JCRR and United States Aid Mission to China prior to the establishment of the Sino-American Development Fund.

D. The designation of the Council for International Economic Cooperation and Development (CIECD) herein shall be understood to include the agency to be established by the Government of the Republic of China to perform the industrial development functions of CIECD. It is understood that the annual programs of such agency will be coordinated by CIECD.

Management of the Sino-American Development Fund

A. There shall be a Managing Committee for Sino-American Fund for Economic and Social Development which shall consist of the appropriate fiscal and monetary officials of the Government of the Republic of China assisted by a secretariat.

B. The balances of the Sino-American Development Fund not required to meet approved uses in any fiscal year shall be managed by the Committee, through investment, deposit, or otherwise, in a manner consistent with the maintenance of internal financial and monetary stability, with the promotion of social and economic development and with the preservation of the assets of the Sino-American Development Fund.

C. The Committee shall manage such balances of the Sino-American Development Fund so as :

First, to assure the availability therefrom of amounts adequate to meet scheduled repayments of the loans referred to in paragraph A under "Uses of the Sino-American Development Fund" above.

Second, so long as the amount of the Sino-American Development Fund permits, to make available for economic and social development (subject to paragraph C under "Uses of the Sino-American Development Fund" above) no less than NT\$2 billion in each fiscal year comparable to the average annual amount of funds appropriated for such purposes in the past years.

General

In order to permit my Government to discharge its responsibilities under the Foreign Assistance legislation and to implement the arrangements outlined herein, my Government wishes to call to the attention of the Government of the Republic of China the following requirements which will continue, as in the past, to pertain to the use of these funds :

- A. Except for the loan repayments provided for in paragraph A under "Uses of the Sino-American Development Fund" above, the Government of the Republic of China will observe the limitations against the use for debt retirement, as set forth in section 516 of the Mutual Security Act of 1954, as amended. The Government of the Republic of China will also observe the limitations on the use for purposes as set forth in Section 104 of the Foreign Aid and Related Agencies Appropriation Act, 1965, and Sections 301 (b) and 609 (a)(3) of the Foreign Assistance Act of 1961, as amended.
- B. The Sino-American Development Fund may be used for the purposes set forth in paragraph B, 4 under "Uses of the Sino-American Development Fund" above only if, except for these arrangements, there would have been sufficient funds available for such purposes without utilizing the Counterpart Special Account.
- C. The Government of the Republic of China will arrange to furnish such reports concerning the status of the Sino-American Development Fund account and activities under these arrangements, at such times and in such form as the Government of the United States of America may reasonably request.
- D. In the administration of the Sino-American Development Fund the Government of the Republic of China will arrange that, as in the past, adequate end-use audits are conducted and controls are exercised to assure that approved activities are carried out, and objectives reached, in a manner consistent with these arrangements. The Government of the United States of America shall have the right to conduct end-use checks and independent audits with respect to the utilization of the Sino-American Development Fund.
- E. The possibility of dollar refunds in connection with economic aid furnished by the United States is not great. It is understood, however, that the Government of the United States of America can give no guarantee that such refunds may not be requested in the future and, if so requested, they must be paid as presently required.
- F. In the event dollar refunds are received by the Government of the United States of America for commodities supplied to the Government of the Republic of China against which counterpart funds were deposited to the Counterpart Special Account, it is understood that receipt by the Government of the United States of America of such refunds creates no obligation on the part of the Government of the United States of America in connection with the counterpart funds so deposited.

Upon receipt of a note from your Excellency confirming the foregoing and indicating that the arrangements set forth herein are acceptable to the Government of the Republic of China, the Government of the United States of America will consider that this note and your Excellency's reply constitute an agreement by our two Governments concerning the disposition of the New Taiwan dollars generated as a consequence of assistance furnished under the Economic Aid Agreement, in pursuance of Article V Paragraph 5 thereof, to be effective from July 1, 1965 through June 30, 1970. These arrangements will be reviewed by our two Governments on or about July 1, 1970, or at any earlier time on thirty days notice by either Government.

Accept, Excellency, the renewed assurances of my highest consideration.

Jerauld WRIGHT

His Excellency Shen Chang-Huan
Minister of Foreign Affairs
Taipei

A N N E X

PART I

STATUS OF COUNTERPART SPECIAL ACCOUNT AS OF OCTOBER 31, 1964

	US \$	NT \$
<i>I. Sources and Status of Deposits</i>		
A. Assistance Furnished Under Terms Calling for Deposit of Commensurate Value (Prior to August 26, 1954)		
1. U.S. Dollar Assistance Furnished :		
a. Under Procurement Authorizations	528,721,176.92	
b. Under Technical Assistance Authorizations	3,707,223.76	
2. Deduct Counterpart Deposit Waived for Technical Assistance Authorizations	3,243,331.17	
3. Total Deposits Due	529,185,069.51	12,534,423,973.43
4. Deposits Made		
a. Prior to Establishment of Counterpart Special Account (6/26/51)	62,721,707.41	646,033,586.31
b. After Establishment of Counterpart Special Account (6/25/51)	286,822,031.47	4,700,054,240.60

	US \$	NT \$
5. Deposits in Arrears :		
<i>a.</i> Deposits to Be Made (Supply Contracts)	24,654,538.68	988,864,468.52
<i>b.</i> Uncollected Items ^a		
(1) Grant Assistance Furnished Under the China Aid Act of 1948 (Mainland Account)	79,970,782.33	3,198,831,293.20
(2) Military Common-use Items	75,016,009.62	3,000,640,384.80
B. Assistance Furnished Under Terms Calling for Deposit of Proceeds of the Assistance ^b (Subsequent to August 25, 1954) :		
1. U.S. Dollar Assistance Furnished Through October 31, 1964 Billing to GRC		
<i>a.</i> Non-Project Assistance—PAs	153,858,998.79	
<i>b.</i> Non-Project Assistance—FCAs	2,337,576.10	
<i>c.</i> Project Assistance	187,189,663.75	
<i>d.</i> Cash Exchange Program	4,060,000.00	
2. U.S. Dollar Assistance to Be Furnished—Estimate (Based on Implementing Document Amount—to Be Adjusted to Amount of Final Disbursement by A.I.D.)		
<i>a.</i> Non-Project Assistance—PAs	11,499.91	
<i>b.</i> Project Assistance	2,011,448.59	
3. Deduct Counterpart Deposit Not Required (Non-Revenue Producing Activities) Against U.S. Dollar Assistance Furnished		
Non-Project Assistance—PA	23,448,379.13	
Project Assistance	49,036,223.02	
4. Deduct Counterpart Deposit Not Required (Non-Revenue Producing Activities) Against U.S. Dollar Assistance to Be Furnished		
Project Assistance	1,955,312.51	
5. Net Cost of U.S. Assistance Requiring Deposit		
<i>a.</i> Billed (B-1 minus B-3)	274,961,636.49	9,507,791,092.10
<i>b.</i> To Be Billed (B-2 minus B-4)	67,635.99	2,705,439.60
6. Proceeds Deposited Against Net Cost	176,591,608.65	5,563,159,470.11
7. Proceeds To be Deposited Against Net Cost (Estimated Future Deposits of Deferred Payments—Supply Contracts)	98,437,663.83	3,947,337,061.59

	US \$	NT \$
8. Other Proceeds		
a. Interest on Deferred Payments for Commodities/Services		
(1) Proceeds Deposited	27,437,482.03	1,042,492,293.12
(2) To Be Deposited (Estimate)	77,943,286.07	3,125,525,831.59
b. Surplus and Other Receipts	1,908,782.70	50,014,084.98
c. Customs Duties, Harbor Dues, Defense Taxes, etc.		
(1) Proceeds Deposited		1,756,556,260.33
(2) To Be Deposited (Estimate)		133,505,016.53
C. Other Deposits Made		
1. Counterpart Loan Repayments and Inter- est Payments		1,211,326,772.10
2. Other Required Deposits		6,799,502.02
D. Total Deposits Made		
1. Prior to Establishment of Counterpart Special Account (A-4a)		646,033,586.31
2. After Establishment of Counterpart Spe- cial Account (A-4b plus B-6 plus B-8a(1) plus B-8b plus B-8c(1) plus C-1 plus C-2)		14,330,402,623.26
E. Estimated Deposits to Be [Made (A-5a plus B-7 plus B-8a(2) plus B-8c(2))		8,195,232,378.23
II. <i>Approvals for Withdrawals and Transfers</i>		
A. Prior to Establishment Counterpart Special Account (6/26/51)		341,423,660.05
B. After Establishment Counterpart Special Account (6/25/51)		
1. Country Purposes		12,234,681,564.16
2. U.S. Account		98,066,175.00
3. U.S. Trust Account		262,832,624.68
Total Approvals for Withdrawals and Transfers (6/26/51-10/31/64)		12,595,580,363.84
III. <i>Withdrawals and Transfers</i>		
A. Prior to Establishment Counterpart Special Account (6/26/51)		341,423,660.05

	US \$	NT \$
B. After Establishment Counterpart Special Account (6/25/51)		
1. Country Purposes		12,220,589,414.52
2. U.S. Account		98,066,175.00
3. U.S. Trust Account		262,832,624.68
Total Withdrawals & Transfers (6/26/51-10/31/64)		12,581,488,214.20
 IV. Recapitulation		
A. Deposits Made		
1. Prior to Establishment Counterpart Special Account (6/26/51)		646,033,586.31
2. After Establishment Counterpart Special Account (6/25/51)		14,330,402,623.26
B. Withdrawals & Transfers		
1. Prior to Establishment Counterpart Special Account		341,423,660.05
2. After Establishment Counterpart Special Account		12,581,488,214.20
C. Cash Balance		
1. Frozen Account		304,609,926.26
2. Special Account No. 1		1,748,914,409.06
D. Deduct Balance of Release Approvals Not Withdrawn (Special Account No. 1)		
		14,092,149.62
E. Uncommitted Balance		
1. Frozen Account		304,609,926.26
2. Special Account No. 1		1,734,822,259.42
F. Estimated Deposits to Be Made (11/1/64-6/30/65)		
		475,709,809.43
G. Estimated Release Approvals (11/1/64-6/30/65)		
		1,637,118,879.48
H. Estimated Uncommitted Balance 6/30/65		
		878,023,115.63

	US \$	NT \$
I. Estimated Deposits to Be Made After 6/30/65		7,719,522,568.80
J. Estimated Total Available for Future Program		8,597,545,684.43

* Assistance for which the GRC has been unable to make deposits of counterpart owing to (a) losses sustained during the evacuation from the mainland to Taiwan and (b) non generation of funds from the import of military common-use items. It is anticipated that this obligation to deposit counterpart for these items will be disposed of in connection with an amendment to the Economic Aid Agreement between the Republic of China and the United States of America. If not, amounts of counterpart deposits to be made and total available for future program shown in lines IV. I. and J. of the statement will be subject to change by a corresponding amount.

^b Prepared on the assumption that the Economic Aid Agreement between the Republic of China and the United States of America will be amended to provide for deposit of counterpart on a proceeds rather than a commensurate value basis.

A N N E X

PART II

STATUS OF SPECIAL COUNTERPART ACCOUNT AND OTHER RELATED ACCOUNTS
COMBINED STATEMENT AS OF OCTOBER 31, 1964

Unit: NT\$ 1 Million

Fund	Unexpended Cash Balance	Uncommitted Balance
<i>GRC-Owned Local Currency Funds</i>		
1. Counterpart Special Account (Account No. 1)	1,748.91	1,734.82
2. Counterpart Loan Repayments (Accounts # 2 & 10)	672.96	415.75
3. Proceeds from Program Loan (Account No. 12)	564.58	501.56
4. Proceeds from PL480, Title IV Program (Account No. 13)	376.61	276.61
5. Proceeds from PL480, Title II Program (Account No. 11)	4.79	4.79
6. Repayments and Interest on 104 / (g) Loans (Account No. 8)	31.66	31.66
7. Repayments and Interest on All Other Local Currency Loans (Account No. 4)	166.63	114.73
8. Frozen Account	304.61	304.61
Sub-Total	3,870.75	3,384.53
<i>US-Owned Local Currency Funds</i>		
Section 402 Funds	11.82	11.78
PL480, Title I, Section 104(g) Funds	389.00	316.22
Sub-Total	400.82	328.00
TOTAL	4,271.57	3,712.53

ANNEX

PART III

SINO-AMERICAN DEVELOPMENT FUND ACCOUNT
ESTIMATED AVAILABILITIES BY SOURCES, AND LOAN REPAYMENTS TO U.S. GOVERNMENT

Unit: NT\$ 1 Million

Source of Funds	Uncom- mitted Balance 10/31/64	11/1/64-6/30/65		Uncom- mitted Balance 6/30/65	Estimates—Receipts and Loan Repayments					Accounts Receivable Post FY70	Total Estimated Availability Subsequent to 6/30/65
		Estimated Deposits	Program Commit- ments		FY66	FY67	FY68	FY69	FY70		
<i>I. Receipts</i>											
<i>A. GRC-Owned Local Cy. Funds</i>											
1. Counterpart Special Account (A/C#1)	1,734.82	780.32*	1,637.12	878.02	592.67	585.50	552.56	493.48	483.60	5,011.72	8,597.55
2. Counterpart Repayments (A/C#2 and 10)	415.75	245.58	339.00	322.33	361.64	370.10	357.36	339.49	384.35	4,138.05	6,273.32
3. Proceeds from Program Loan (A/C#12)	501.56	126.82	286.80	341.58	80.00	23.88	23.88	23.88	23.88	143.26	660.36
4. Proceeds from PL480, Title IV Prog. (A/C #13) ^b	276.61	385.29	—	661.90	844.04	861.96					2,367.90
5. Proceeds from PL480, Title II Prog. (A/C#11)	4.79	—	4.79	—							—
6. Repayments and Interest on 104(g) Loans (A/C#8)	31.66	21.25	—	52.91	103.03	132.34	170.75	192.66	190.63	1,374.79	2,217.11
7. Repayments and Interest on All Other Local Currency Loans (A/C #4)	114.73	302.68	415.90	1.51	457.53	497.59	498.26	548.40	590.19	4,865.68	7,459.16
8. Repayments and Interest on AID Loan No. 12 from TTA	—	18.38	—	18.38	20.33	20.50	19.99	19.43	18.88	78.03	195.54
9. Frozen A/C	304.61	(304.61)*									
Sub-total	3,384.53	1,575.71	2,683.61	2,276.63	2,459.24	2,491.87	1,622.80	1,617.34	1,691.53	15,611.53	27,770.94

Source of Funds	Uncom- mitted Balance 10/31/64	11/1/64-6/30/65		Uncom- mitted Balance 6/30/65 or Loan Repayment	Estimates—Receipts and Loan Repayments					Accounts Receivable Post FY70	Total Estimated Availability Subsequent to 6/30/65
		Estimated Deposits Loan Repayment	Program Commis- sions		FY66	FY67	FY68	FY69	FY70		
B. U.S.-Owned Local Curren- cy Funds											
1. Section 402 Funds . . .	11.78	—	11.78	—							—
2. PL480, Title I, Section 104(g) Funds ^b	316.22	238.91	428.22	126.91	56.09	33.33	8.63				224.96
Sub-total	328.00	238.91	440.00	126.91	56.09	33.33	8.63				224.96
TOTAL	3,712.53	1,814.62	3,123.61	2,403.54	2,515.33	2,525.20	1,631.43	1,617.34	1,691.53	15,611.53	27,995.90
II. Loan Repayments to the U.S. Gov't											
A. Section 505 Loans		75.98		75.98	117.36	118.71	120.04	121.33	122.61	3,585.70	4,261.73
B. 104 (g) Loans		12.80		12.80	20.06	28.57	53.58	56.58	60.57	1,862.78	2,094.94
C. Program Loans		9.26		9.26	25.05	26.97	26.97	41.71	56.45	1,693.81	1,880.22
D. PL480, Title IV Credits		27.51		27.51	198.78	416.56	168.36	165.01	161.67	1,949.49	3,087.38
E. AID Loan No. 12		0.55		0.55	1.09	1.25	1.25	1.25	1.26	190.96	197.61
TOTAL		126.10		126.10	362.34	592.06	370.20	385.88	402.56	9,282.74	11,521.88
III. Net Available for Country Pro- grams											
	3,712.53	1,688.52	3,123.61	2,277.44	2,152.99	1,933.14	1,261.23	1,231.46	1,288.97	6,328.79	16,474.02

* The negative deposit in line I.A.9 is offset by an equivalent increase in line I.A.1, which represent anticipated clearance of the Frozen Account by deposit of the Frozen Account amount into the Counterpart Special Account.

^b Projection of local currency generations from PL480, Title I and Title IV programs is based on the estimated values contained in active signed agreements, without making allowances for normal ocean freight and commodity shortfalls.

[TRANSLATION¹ — TRADUCTION²]

MINISTRY OF FOREIGN AFFAIRS
REPUBLIC OF CHINA

Taipei, April 9th, 1965

05679

Excellency :

I have the honor to acknowledge receipt of Your Excellency's Note reading as follows :

[*See note I*]

I have the honor to confirm the above understandings and to advise that the foregoing arrangements are acceptable to my Government.

Accept, Excellency, the renewed assurances of my highest consideration.

SHEN Chang-Huan

His Excellency Jerauld Wright
Ambassador of the United States of America
Taipei

¹ Translation by the Government of the United States of America.

² Traduction du Gouvernement des États-Unis d'Amérique.