

No. 12224

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**UNITED STATES OF AMERICA**  
**and**  
**REPUBLIC OF CHINA**

**Exchange of notes constituting an agreement regarding deposits for military assistance under the Foreign Assistance Act of 1971 (with Section 514 of the Foreign Assistance Act of 1961, as amended). Taipei, 18 April 1972**

*Authentic texts : English and Chinese.*

*Registered by the United States of America on 29 December 1972.*

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**ÉTATS-UNIS D'AMÉRIQUE**  
**et**  
**RÉPUBLIQUE DE CHINE**

**Échange de notes constituant un accord relatif aux dépôts effectués au titre de l'assistance militaire en vertu de la loi de 1971 sur l'aide à l'étranger (avec texte de la section 514 du *Foreign Assistance Act* de 1961 [loi sur l'aide à l'étranger], telle qu'elle a été modifiée). Taipeh, 18 avril 1972**

*Textes authentiques : anglais et chinois.*

*Enregistré par les États-Unis d'Amérique le 29 décembre 1972.*

EXCHANGE OF NOTES CONSTITUTING AN AGREEMENT<sup>1</sup>  
BETWEEN THE UNITED STATES OF AMERICA AND THE  
REPUBLIC OF CHINA REGARDING DEPOSITS FOR MILI-  
TARY ASSISTANCE UNDER THE FOREIGN ASSISTANCE ACT  
OF 1971

I

*The American Ambassador to the Chinese Minister of Foreign Affairs*

No. 8

Taipei, April 18, 1972

Excellency :

I have the honor to refer to recent discussions regarding the United States Foreign Assistance Act of 1961, as amended, which includes a provision requiring payment to the United States Government in New Taiwan Dollars of ten percent of the value of Grant Military Assistance and Excess Defense Articles provided by the United States to the Government of the Republic of China.

In accordance with that provision, it is proposed that the Government of the Republic of China will deposit in an account, subject to withdrawal on demand, at the Central Bank of China in favor of the United States Government, at a rate of exchange which is not less favorable to the United States Government than the best legal rate at which United States dollars are sold by authorized dealers in the country of the Republic of China for New Taiwan Dollars on the date deposits are made, the following amounts in New Taiwan Dollars :

- (A) In the case of any Excess Defense Article given to the Government of the Republic of China, an amount equal to ten percent of the fair value of that article, as determined by the United States Government, and
- (B) In the case of a Grant of Military Assistance to the Government of the Republic of China, an amount equal to ten percent of each such grant. The Government of the Republic of China will be notified quarterly of deliveries of Defense Articles and rendering of defense services and the values thereof. Deposits to the account of the United States Government will be due and payable upon request by the United States Government, which request shall be made, if at all, within one year following the aforesaid notification of deliveries. No more than US\$20 million dollars in New Taiwan Dollars will be required to be deposited for deliveries in any one United States fiscal year.

It is further proposed that the amounts to be deposited may be used to pay all official costs of the United States Government payable in New Taiwan Dollars, including but not limited to all costs relating to the financing of international educational and cultural exchange activities under programs

<sup>1</sup> Came into force on 18 April 1972, by the exchange of the said notes, with retroactive effect from 7 February 1972, in accordance with their provisions.

authorized by the United States Mutual Education and Cultural Exchange Act of 1961.

It is finally proposed that Your Excellency's reply stating that the foregoing is acceptable to the Government of the Republic of China shall, together with this note, constitute an agreement between our governments on this subject effective from and after February 7, 1972 and applicable to deliveries of defense articles and rendering of defense services funded or agreed to and delivered or rendered on or subsequent to that date.

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

WALTER P. MCCONAUGHY

*Enclosure :*

Section 514 of the Foreign Assistance Act  
of 1961, as amended.

His Excellency Chow Shu-kai  
Minister of Foreign Affairs  
Taipei

SECTION 514

(A) Unless provided elsewhere in this section, defense articles may not be given nor a military assistance grant be made to a foreign country unless it agrees :

- (1) to deposit in a special account, as established by the Government of the United States, its own currency in the following amount :
  - (a) for any excess defense article to be given, an amount equivalent to ten percent of the article's fair value, to be determined by the Secretary of State, when the agreement to give the article is made; and
  - (b) for a military assistance grant, an amount equivalent to ten percent of the grant; and
- (2) to permit the Government of the United States to utilize these funds from the special account as determined over time by the President as necessary for payment of all of the official costs of the United States Government payable in the currency of that country, including all costs relating to financing the international educational and cultural exchange programs participated in by that country as authorized by the Mutual Educational and Cultural Exchange Act of 1961.

(B) Any amount of currency of a foreign country which is required to be deposited under Subsection (A) (1) of this Section may be waived by the President if he determines that the Government of the United States will be in a position to pay all its official costs, payable in that currency, enumerated under Subsection (A) (2) without the deposit of such amounts and without the necessity of expanding U.S. dollars for the purchase of the currency of that country to pay such costs.

(C) Provisions of this Section do not apply in cases where an excess defense article is given or a military assistance grant is made :

- (1) to a foreign country under a bilateral agreement which permits the United States Government to operate a military or other similar base there in exchange for excess article or grant; and
- (2) Laos, South Vietnam and Cambodia.

(D) No foreign state will be required under this Section to make deposits in the special account which exceed in the aggregate more than US\$20 million in any one year.

[TRANSLATION<sup>1</sup> — TRADUCTION<sup>2</sup>]MINISTRY OF FOREIGN AFFAIRS  
REPUBLIC OF CHINA

No. Wai(61) Pei-Mei 1—07759

April 18, 1972

Excellency :

I have the honor to acknowledge receipt of your note No. 008 of today's date reading as follows :

[*See note I*]

In reply, I have the honor to confirm, on behalf of the Government of the Republic of China, that the foregoing is acceptable to the Government of the Republic of China.

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

CHOW SHU-KAI  
Minister of Foreign Affairs

His Excellency Walter P. McConaughy  
Ambassador of the United States of America  
Taipei

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<sup>1</sup> Translation supplied by the Government of the United States of America.

<sup>2</sup> Traduction fournie par le Gouvernement des Etats-Unis d'Amérique.