

No. 24811

**UNITED KINGDOM OF GREAT BRITAIN
AND NORTHERN IRELAND
and
CHINA**

**Agreement concerning the financial arrangement relating to
development loans (with appendices). Signed at London
on 15 May 1986**

Authentic texts: English and Chinese.

*Registered by the United Kingdom of Great Britain and Northern Ireland
on 5 May 1987.*

**ROYAUME-UNI DE GRANDE-BRETAGNE
ET D'IRLANDE DU NORD
et
CHINE**

**Accord relatif aux arrangements financiers concernant les
prêts de développement (avec appendices). Signé à
Londres le 15 mai 1986**

Textes authentiques : anglais et chinois.

*Enregistré par le Royaume-Uni de Grande-Bretagne et d'Irlande du Nord
le 5 mai 1987.*

AGREEMENT¹ BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA CONCERNING THE FINANCIAL ARRANGEMENT RELATING TO DEVELOPMENT LOANS.

The Government of the United Kingdom of Great Britain and Northern Ireland (hereinafter referred to as "the Government of the United Kingdom") and the Government of the People's Republic of China (hereinafter referred to as "the Government of China");

Having regard to the friendly relations between them and in order to develop their economic and technical co-operation;

Have agreed as follows:

Article 1. FINANCIAL ARRANGEMENTS

(1) The form of the financial arrangement shall be the provision of certain sums by way of Government Grants (hereinafter referred to as "Government Grants") supplied through the Overseas Development Administration of the Government of the United Kingdom (hereinafter referred to as "ODA") to enable certain bank loans (hereinafter referred to as "the Loans") to be provided on the terms set out in paragraph (1) of Article 3 of this Agreement.

(2) The Loans, which shall be supported also by the United Kingdom Export Credits Guarantee Department (hereinafter referred to as "ECGD") shall not exceed in aggregate £300,000,000 (three hundred million pounds sterling) and shall be made by banks acceptable to the Government of the United Kingdom and the Government of China (hereinafter referred to as "the Lending Banks") to the Bank of China which is authorised by the Government of China to be the borrower (hereinafter referred to as "the Borrower"). The Loans shall be eligible for financial support under this Agreement provided the terms of this Agreement are met.

Article 2. PROCEDURES AND PRACTICES

(1) The Government of the United Kingdom and the Government of China shall consult and assess the suitability of individual projects for funding. If a project satisfies the criteria of both Governments, Notes shall be exchanged as set out in Appendix A, approving the project for funding and stating the amount of Loan funds to be provided through the Lending Bank or Banks. Four projects which have been identified as suitable for further consideration are recorded in Appendix B.

(2) After the Exchange of Notes and subject to the conditions set out in this Agreement, the Government of China shall in respect of the relevant project authorise the Chinese purchaser approved by the Ministry of Foreign Economic Relations and Trade of the Government of China (hereinafter referred to as "MOFERT") to negotiate contracts (hereinafter referred to as "the Contracts"),

¹ Came into force on 15 May 1986 by signature, in accordance with article 4.

to be approved by ODA and MOFERT with companies registered in and carrying on business in the United Kingdom (hereinafter referred to as “United Kingdom companies”).

(3) The Government of the United Kingdom shall, on the request of the Government of China, arrange through ECGD with the Lending Banks for the terms set out in paragraph (1) of Article 3 of this Agreement to be applied to the Loan agreement signed by the Borrower and the Lending Bank and shall subsequently make the necessary payments due from the Government Grants to implement and sustain the said terms.

(4) Grant allocations made to any project within the scope of this Agreement shall be agreed between the Foreign Investment Administration acting on behalf of MOFERT and the British Embassy in Peking acting on behalf of ODA.

Article 3. TERMS AND CONDITIONS

(1) Subject to the conditions in paragraph (1) of Article 2 of this Agreement, the terms of the Loans shall be twenty years' maturity, including five years' grace period for principal and repayments over fifteen years in equal semi-annual instalments. The rate of interest in respect of each drawing shall be five per cent per annum commencing from the draw-down date of the relevant drawing. Interest shall be payable at intervals not exceeding six months. For Loans in respect of projects with a scheduled commissioning period of more than four years the Government of the United Kingdom will be prepared to consider an extension of the grace period for principal of up to two years after the scheduled commissioning date, subject to a maximum grace period of seven years, within the twenty years' maturity.

(2) Unless the Government of the United Kingdom accepts otherwise, goods financially supported under this Agreement shall be produced in and supplied from the United Kingdom (and shall hereinafter be referred to as “United Kingdom Goods”) and services financially supported under this Agreement shall be provided by persons normally resident in the United Kingdom (and shall hereinafter be referred to as “United Kingdom Services”). One hundred per cent of the value of the United Kingdom Goods and United Kingdom Services provided under the Contracts shall be financed by the Loans.

(3) The approved texts of the Contracts and the Loan agreements shall not be amended without the prior approval of ODA, ECGD, MOFERT and the Borrower.

(4) The Government Grants and the Loans shall not be used to meet the cost of any fiscal levies directly or indirectly imposed in the People's Republic of China except to the extent that British personnel who are normally resident in the United Kingdom and who are working in China for the purpose of the Contracts are liable to any such fiscal levies imposed in the People's Republic of China.

(5) Goods purchased under the Contracts shall be shipped and insured in accordance with normal commercial competitive practice by ships or companies of any flag or country acceptable to both Governments. This provision shall be stated explicitly in the Contracts.

(6) The Loans eligible for support under this Agreement shall be for capital goods and related services which shall be used only for civilian purposes.

(7) The Contracts shall contain a clause extending to the personnel or representatives of the Government of the United Kingdom sufficient access to permit a proper examination and assessment of procurement efficiency.

(8) The Government of China shall permit the personnel or representatives of the Government of the United Kingdom to visit any sites or locations where projects which are being financed under the Loans are being carried out, and shall furnish them with such information as they require regarding the projects, their progress, and financing.

(9) The Government of China shall ensure the provision of such additional finance, including local costs, that may be required to complete approved projects.

(10) If a project is suspended or terminated before completion the Government of the United Kingdom and the Government of China shall consult on measures to resolve the problems, including treatment of any Government Grants already paid or to be paid, and agree on appropriate action. Such consultations shall not affect the rights and obligations of the respective parties to the Contracts and the Loan agreements.

(11) The Government of China shall ensure that:

(a) All goods and services for which payment has been financed under the Loans are employed for the purposes for which and by the user for whom they were supplied, for as long as their being so employed remains feasible and the items purchased will be used for civilian purposes only;

(b) All reasonable precautions are taken to protect any Loan funds paid out for the Contracts in advance of work being carried out.

(12) Any sums payable to the Chinese purchaser by or on behalf of United Kingdom companies in relation to goods and services for which finance is made available under the Loans shall be paid to the appropriate Lending Bank which shall inform the Borrower and shall use such sums to reduce the Loan advances already made.

(13) Unless the Government of the United Kingdom accepts otherwise, the Contracts and the Loans must become effective by 31 March 1989 in order to be eligible for funding.

Article 4. ENTRY INTO FORCE

This Agreement shall come into force on the date of its signature.

IN WITNESS WHEREOF the undersigned, duly authorised thereto by their respective Governments, have signed this Agreement.

DONE in duplicate at London this 15th day of May 1986 in the English and Chinese languages, both texts being equally authoritative.

For the Government
of the United Kingdom of Great Britain
and Northern Ireland:

[Signed — Signé]¹

For the Government
of the People's Republic of China:

[Signed]

ZHENG TUOBIN

¹ Signed by Geoffrey Howe — Signé par Geoffrey Howe.

APPENDIX A (i)

From: The British Embassy

To: The Ministry of Foreign Economic Relations and Trade

Project Allocation No.

I have the honour to refer to the Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland (hereinafter referred to as "the Government of the United Kingdom") and the Government of the People's Republic of China (hereinafter referred to as "the Government of China") concerning the Financial Arrangement Relating to Development Loans signed at London on 15 May 1986 (hereinafter referred to as "the Agreement") and to recent consultations between our two Governments regarding the project known as (Project Title).

The Government of the United Kingdom support for this project will be in the form of a Government Grant and will be for a sum not exceeding £ (words pounds sterling) (hereinafter referred to as "the Grant Allocation").

The Grant Allocation will be applied in support of a loan supported by the Export Credits Guarantee Department for a sum not exceeding £ (words pounds sterling) (hereinafter referred to as "the Loan") to be used to finance contracts with United Kingdom companies.

The Loan agreement will be negotiated between and signed by the Borrower and (name the bank approved by ECGD).

The terms, conditions and procedures set out in the Agreement will apply and will come into operation when the Loan agreement referred to above becomes effective.

The approval for this project and the purpose for which the allocation will be used are set out in the Project Memorandum attached hereto. These may be varied in detail within the above total allocations by arrangement of the Government of the United Kingdom and the Government of China.

If the arrangements set out above and in the Project Memorandum attached hereto are acceptable to the Government of China, I have the honour to suggest that this Note and your reply to that effect will place on record the understanding of the Government of the United Kingdom and the Government of China in this matter, which will be referred to as "the (name of the project) Allocation Note of 19"

APPENDIX A (ii)

Reply from: The Ministry of Foreign Economic Relations and Trade

To: The British Embassy

I have the honour to refer to your Note of (date) which reads as follows:

(Quote original Note in full)

In reply I have the honour to confirm that the foregoing arrangements are acceptable to the Government of China and that your Note and this reply will place on record the understanding of our two Governments in this matter, which will be referred to as "the (name of project) Allocation Note of 19"

APPENDIX B

In discussions which took place between representatives of the Governments of the United Kingdom of Great Britain and Northern Ireland and of the People's Republic of China in a spirit of mutual co-operation, friendship and understanding between 21 and 29 April 1986, it was agreed in principle that the following projects were suitable for further consideration under the Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the People's Republic of China concerning the Financial Arrangement Relating to Development Loans, with a view to the early conclusion of contracts, subject to the satisfactory completion of negotiations between the parties involved and of the respective procedures required by the two Governments:

- Extension of Yueyang Power Station in Hunan Province;
 - Daye Iron and Steel Plant: Seamless Tube Mill;
 - Luoyang No. 1 Tractor Factory: Fuel Injection Equipment and Technology;
 - Shanghai Telecommunications Equipment Factory: Optical Transmission Equipment and Technology.
-