

November 26, 1971

**EXCHANGE OF NOTES BETWEEN THE REPUBLIC OF THE
PHILIPPINES AND JAPAN CONCERNING THE JAPANESE
COMMODITY LOAN TO THE PHILIPPINES**

Note: The Agreement entered into force, November 26, 1971.

Reference: This Agreement is also published in X DFA TS No. 1, p. 81.

26 November 1971

Excellency:

I have the honour to confirm the following understanding recently reached between the representatives of the Government of Japan and the Government of the Republic of the Philippines concerning Japanese assistance to be extended to the Republic of the Philippines with a view to promoting the latter's economic stabilization and development efforts,

I

1. A commodity loan in Japanese yen (hereinafter referred to as "The Commodity Loan") up to the amount of fourteen billion four hundred million yen (yen 14,400,000,000) will be extended to the Central Bank of the Philippines (hereinafter referred to as "The Central Bank") by the Overseas Economic Cooperation Fund (hereinafter referred to as "The Fund") in accordance with the relevant laws and regulations of Japan.

2. The Commodity Loan will be made available by a loan agreement to be concluded between the Central Bank and the Fund. The terms and conditions of the Commodity Loan as well as the procedures for its utilization will be governed by the said agreement, which will contain, inter alia, the following principles:

(a) The repayment period will be thirteen (13) years after seven (7) year's grace.

(b) The rate of interest will be three and a half (3.5) per cent per annum.

(c) The cumulative total amount of disbursement up to March 31, 1972 will not exceed seven billion two hundred million yen (yen 7,200,000,000).

(d) The closing date will be September 30, 1972.

3. The Government of the Republic of the Philippines will take such measures as are necessary and appropriate to enable the Central Bank to comply with the obligation to repay the principal and pay the interest of the Commodity Loan.

4. The Commodity Loan will be made available to cover payments to be made to suppliers in Japan by Philippine importers, under such contracts as have been or may be entered into between them for the purchase of such Japanese goods as

industrial raw materials and light capital goes to be specified in the list to be decided upon between the authorities concerned of the two Governments and services of Japanese nationals incidental thereto.

5. With respect to the yen disbursement of the Commodity Loan, the Government of the Republic of the Philippines shall take such measures as to have the equivalent in Philippine currency of the said yen disbursement transferred by the Central Bank of a counterpart fund account to be opened in the name of the Government of the Republic of the Philippines in the Central Bank. The amount of Philippine currency thus transferred shall be utilized for development projects of the Government of the Republic of the Philippines, including the Philippine-Japan Highway Project and the projects referred to in Part II, paragraph 3, below, in accordance with separate arrangements to be agreed upon between the two Governments.

II

1. A project loan in Japanese Yen (hereinafter referred to as "the Project Loan") up to the amount of nine billion yen (yen 9,000,000,000) will be extended to the Government of the Republic of the Philippines by the Fund in accordance with the relevant laws and regulations of Japan.

2. The Project Loan will be made available by loan agreements to be concluded between the Government of the Republic of the Philippines and the Fund. The terms and conditions as well as the procedures for its utilization will be governed by the said agreements which will contain, inter alia, the following principles:

(a) The repayment period will be thirteen (13) years after seven (7) year's grace.

(b) The rate of interest will be three and a half (3.5) per cent per annum.

(c) The closing date will be June 30, 1976.

3. The projects eligible for the Project Loan will be selected by the end of June, 1972, through consultations between the two Governments out of the Projects authorized for external borrowing by the Republic Act 6142 and other existing laws of the Republic of the Philippines, including the Mindanao telecommunications Development Project. The Loan agreement for each of these projects will be concluded between the Government of the Republic of the Philippines and the Fund only when the two Governments and the Fund are satisfied of its feasibility.

4. The Project Loan will be made available to cover payments to be made to Japanese suppliers, contractors or consultants by Philippine importers for the purchase of Japanese goods and services under such contracts as may be entered into between them in Japanese yen to meet the foreign exchange requirements of the projects referred to in Part II, paragraph 3 above

III

1. (a) The Government of the Republic of the Philippines shall exempt the Fund from all Philippines fiscal levies or taxes on and/or in connection with the Commodity Loan and the Project Loan (hereinafter collectively referred to as "the Loans") as well as interest accruing therefrom.

(b) The Government of the Republic of the Philippines shall assume all Philippine fiscal levies or taxes due from Japanese firms and nationals on and/or in connection with any income that may accrue from the supply of Japanese goods and services to be provided under the Project Loan.

2. With regard to the shipping and marine insurance of goods purchased under the Loans, the two Governments shall refrain within the scope of relevant laws and regulations of their respective countries from imposing any restriction that may hinder a fair and free competition between the shipping and marine insurance companies of the two countries.

3. (a) The Government of the Republic of the Philippines will, upon request, furnish the Government of Japan with reports on the use of the counterpart fund referred to in Part I, paragraph 5 above and the progress of the projects referred to in Part II, paragraph 3 above.

(b) The two Governments will jointly review from time to time, on the basis of the reports referred to in sub-paragraph (a) above, the progress of the implementation of the Loans, and take, if necessary, appropriate measures to secure smooth and effective utilization of the Loans. The Central Bank and the Fund will be invited to participate in such review.

4. The two Governments will consult with each other with respect to any matter that may arise from or in connection with this understanding.

I should be grateful if Your Excellency would confirm the foregoing understanding on behalf of the Government of the Republic of the Philippines.

I avail myself of this opportunity to renew to Your Excellency the assurance of my highest consideration.

(Sgd.) **TOSHIO URABE**

Ambassador of Japan

His Excellency

MANUEL COLLANTES

Acting Secretary of Foreign Affairs,
Manila.

26 November 1971

Excellency,

I have the honour to acknowledge receipt of your Excellency's Note of today's date which reads as follows:

"Excellency,

I have the honour to confirm the following understanding recently reached between the representatives of the Government of Japan and the Government of the Republic of the Philippines concerning Japanese