

**April 27, 1955**

**EXCHANGE OF NOTES CONSTITUTING AN AGREEMENT BETWEEN  
THE REPUBLIC OF THE PHILIPPINES AND THE UNITED STATES  
OF AMERICA RELATING TO MILITARY AND ECONOMIC  
ASSISTANCE**

Note: The Agreement entered into force, April 27, 1955.

Reference: This Agreement is also published in 261 UNTS, p. 351.

**THE AMERICAN AMBASSADOR TO THE PHILIPPINE SECRETARY OF FOREIGN  
AFFAIRS**

**AMERICAN EMBASSY**

No. 1295

Manila, Philippines, April 27, 1955

Excellency:

I have the honor to refer to the conversations which have recently taken place between our two Governments concerning the furnishing by my Government, subject to the terms and conditions prescribed by law, to the Government of the Republic of the Philippines of financial assistance to the extent of \$9,500,000, to promote the mutual defense and economic objectives of our two Governments, in connection with certain facilities required by the Armed Forces of the Philippines and in furtherance of the Joint Philippine American Economic Development Program, and to confirm the understandings reached as a result of these conversations, as follows:

1. The Government of the Republic of the Philippines agrees to accomplish: (1) such construction of facilities in connection with the training of an infantry division; (2) such construction of necessary improvements and facilities in Basa Air Base; and (3) such other military construction projects as may be jointly decided upon by the Secretary of National Defense of the Republic of the Philippines and the Chief Advisor, Joint United States Military Advisory Group. The Philippine Government agrees to provide suitable real property, it being understood that facilities to be provided under this agreement may be placed only on such real property to which the Philippine Government has clear title or a court order of a court of competent jurisdiction in condemnation or expropriation proceedings authorizing the Philippine Government to enter into and use the land, and is so certified by the Secretary of National Defense of the Republic of the Philippines. Memoranda of agreement as to projects mutually agreed upon shall be maintained by the Office of the Secretary of National Defense of the Republic of the Philippines and by the Joint United States Military Advisory Group.

2. Should it appear advantageous to the expeditions accomplishment of the projects referred to above, the Chief Advisor, joint United States Military Advisory Group, may, at his discretion, authorize the transfer of dollar funds made available pursuant to this Agreement to the United States Department of Defense for purchase of those

items required for such projects which can best be produced from United States military stocks. The Chief Advisor may also, at his discretion, authorize the import, utilizing as appropriate the pesos made available under this Agreement through normal Central Bank procedures, for such other items which are not economically procurable in terms of price and quality within the Philippines. Locally produced materials, however, shall be used wherever such materials are of satisfactory quality and are available at reasonable, comparable prices.

3. The Philippine Government agrees that peso funds made available from time to time by the Chief Advisor, Joint United States Military Advisory Group, will be deposited in a special account of the Armed Forces of the Philippines as a bank to be selected by the Philippine Government. Such funds shall be used solely as directed by the Secretary of National Defense of the Republic of the Philippines for projects as mutually agreed upon in writing with the Chief Advisor, Joint United States Military Advisory Group.

4. The portion of the \$9,500,000 fund not authorized by the Chief Advisor, Joint United States Military Advisory Group, for the importation of construction materials or equipment from United States Military stocks, shall be allocated for essential industrial imports as described in Supplementary Agreement No. 1, dated January 23, 1955, to Counterpart Project No. 32 between the Philippine Council for United States Aid and the United States of America Operations Mission to the Philippines or for other imports as subsequently agreed upon between the two Governments. If allocations for other imports are made or if the two Governments subsequently agree to the allocation for the direct purchase of pesos as required, the Philippine Government, through its agent the Central Bank, agrees to reserve the equivalent amount of dollars for the import of essential industrial equipment as described above.

5. Peso receipts arising from the imports financed from this portion of the dollar fund shall be deposited to the Counterpart Fund-Special Account as established in the Economic and Technical Cooperation Agreement between the two Governments dated April 27, 1951. Upon the request of the Joint United States Military Advisory Group, ninety-five per cent of these deposits shall be released to it solely to satisfy the requirements of the Chief Advisor for peso funds to be used for purposes covered in this Agreement. The use of any pesos generated pursuant to this Agreement which are not required for the purposes of this Agreement shall be subject to the joint determination of the two Governments.

6. The Government of the Republic of the Philippines shall permit the unrestricted entry, and shall exempt from all duties and all taxes, such products, property, materials, services and/or equipment as required to be imported for the construction of military facilities pursuant to this Agreement, whether such importation is effected either directly by the Philippine Government and/or the Government of the United States or indirectly by private persons or firms under contract with the Philippine Government for construction of said military facilities. The Philippine Government agrees that no internal taxes of any kind or description, except income taxes, shall be levied on any materials, equipment, supplies and/or services which may be purchased or otherwise acquired in connection with the terms of this Agreement on an approved project as referred to herein, which materials, equipment supplies and/or services are required solely for such projects.