

January 26, 1950

**EXCHANGE OF NOTES CONSTITUTING AN AGREEMENT BETWEEN
THE REPUBLIC OF THE PHILIPPINES AND THE UNITED STATES
OF AMERICA CONCERNING THE USE OF SCRIP FOR MONEY IN
THE UNITED STATES MILITARY BASES IN THE PHILIPPINES**

Note: The Agreement entered into force December 20, 1949.

Embassy of the United States of America
Manila, December 20, 1949

No. 1226

Excellency:

I have the honor to inform your Excellency that effective today, December 20, 1949, military payment certificates will be used for payments to United States authorized personnel and as an official medium of exchange within establishments of the Armed Forces of the United States in the Philippines. The use of military payment certificates it is believed, will assist Your Excellency's Government in achieving the enforcement of the exchange control regulations inasmuch as personnel of the United States Armed Forces in the Philippines and their dependents will no longer be allowed to have dollars in their possession except upon departure from the Philippines. As Your Excellency is undoubtedly aware, military payment certificates have been used in Austria, Belgium, France, Germany, Italy, Japan, United Kingdom, Korea, Kyuku Islands, Free Territory of Trieste, Tripoli, Greece, Hungary and Yugoslavia.

Military payment certificates, which are issued in denominations of five, twenty-five and fifty cents and one, five and ten dollars, are for use only within United States bases in the Philippines and are of no value for transactions within the Philippine economy. Persons authorized to possess the certificates may exchange them for pesos at the offices of Army, Navy, or Air Force disbursing officers.

The United States Armed Forces will continue, of course, to use pesos for payment of salaries of local personnel and for payment of local goods and services.

It is hoped that Your Excellency will perceive no objection to permitting American banks in the Philippines to maintain for the United States Armed Forces organizations and personnel deposit accounts expressed in military payment certificates.

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

(SGD.) **MYRON M. COWEN**

His Excellency Elpidio Quirino
Secretary of Foreign Affairs
Republic of the Philippines Manila
Manila,

January 26, 1950

Excellency:

I have the honor to refer to your Excellency's note of December 20, 1949, regarding the use of military payment certificates within establishments of the Armed Forces of the United States in the Philippines.

In view of the fact that the matter had been the subject of direct negotiations between the President and your good self, I desire merely to confirm the agreement which was arrived at on the use of the scrips inside United States Armed Forces reservations by military, naval and air force personnel only, leaving the question whether or not such scrips are to be accepted for current account deposit in banks pending.

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

(SGD.) **FELINO NERI**
Acting Secretary

His Excellency

MYRON M. CO WEN
American Ambassador Manila

MEMORANDUM

For: The Sub-committee on Taxation, Customs and Immigration
Subject: Disposition of Confiscated U.S. Military Payment Certificates

On February 7, 1952 the Bureau of Customs seized from a PAL Plane PI-C 293 which was bound for Tokyo, Japan, the amount of \$35,371 of which \$3,261 was in United States dollar bills and the balance of \$32,110 in United States Army scrips. Pursuant to a decision dated July 24, 1952 of the Collector of Customs at Manila and approved by the Commissioner of Customs on August 5, 1952, the amount of \$35,371 was forfeited to the Philippine Government. The decision was subsequently affirmed by the Board of Tax Appeals. The United States dollar bills have been added to the international reserves of the Philippines, but the United States Army scrips became the subject of negotiations.

On November 6, 1952, the Department of Foreign Affairs addressed a note to the United States Embassy, as follows:

The Department of Foreign Affairs presents its compliments to the Embassy of the United States of America and has the honor to inform the Embassy of the acquisition by the Philippine Government of \$32,110.00 in United States Army scrips and to request information as to its proper disposition.

The amount of \$32,110.00 in United States Army scrips was part of the total amount of \$35,371.00 which was seized by the Philippine Bureau of Customs from a PAL Plane PI-C 293 bound for Tokyo, Japan, on February 7, 1952, as there was a clear attempt to bring the currency out of the country without license in contravention with regulations of the Central Bank of the Philippines. Pursuant to a decision dated August 5, 1952 of the Philippine Bureau of Customs and a resolution dated August 12, 1952 of the Philippine Board of Tax Appeals, the currency was forfeited to the Government of the Republic of the Philippines.

The Department would appreciate the views of the Embassy with regard to the steps to be taken by the Philippine Government in order to recover the value of the United States Army scrips.

Copies of the decision of the Philippine Bureau of Customs, the resolution of the Philippine Board of Tax Appeals, and a letter dated August 25, 1952 of the Surveyor of the Port of Manila to the Governor of the Central Bank of the Philippines are enclosed for the information of the Embassy. Enclosure: Copy each of—

1. Resolution dated August 12, 1952 of the Board of Tax Appeals.
2. Decision dated August 5, 1952 of the Commissioner of Customs.
3. Letter dated August 25, 1952 of the Surveyor of the Port of Manila to the Governor of the Central Bank of the Philippines.

Manila, November 6, 1952

In its note No. 750, the United States Embassy gave the following reply:

The Embassy of the United States of America presents its compliments to the Department of Foreign Affairs, Republic of the Philippines and has the honor to refer to Department of Foreign Affairs note dated November 6, 1952 concerning United States Military Payment Certificates valued at \$32,110.00 seized on February 7, 1952 by the Philippine Bureau of Customs from Philippine Air Lines aircraft PI-C 293 bound from Manila to Tokyo, Japan.

The Embassy has discussed this matter with United States military authorities, and is informed that according to United States law, and military regulations, United States Military Payment Certificates are not currency in the legal, or usual, sense of the term, but are certificates sold in exchange for rights to legal United States currency to persons authorized by the United States of America. These certificates are valid only in the United States of America. These certificates are valid only in United States Government establishments, for goods and services sold, or authorized sold, by the United States Government or its agencies, and only to individuals authorized by the government of the United States. One of the basic reasons for the use of Military Payment Certificates is to prevent the disrupting influences on the Philippine economy which might be caused by an unrestricted and uncontrolled flow of legal United States currency into the Philippine economy. For the United States military authorities to pay pesos to the Philippine Government for these Military Payment Certificates would bestow upon these Certificates the character of legal currency. The Embassy is deeply appreciative of the action taken by the Philippine Government in recovering these Military Payment Certificates but regrets that there seems to be no way under United States law for the Philippine Government to recover the value of the Military Payment Certificates. Confident of the support of the Philippine Government to measures adopted by the United States to insure stability in the Philippine economy, the Government of the United States to insure stability in the Philippine economy, the Government of the United States respectfully requests that the Philippine Government return the Military Payment Certificates in question to the United States military authorities for cancellation or destruction in accordance with United States law. American Embassy,

Manila, January 12, 1953.