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No. 7939

UNITED STATES OF AMERICA
and
REPUBLIC OF CHINA

Exchange of notes (with annex) constituting an agreement relating to the establishment of a Sino-American Fund for Economic and Social Development. Taipei, 9 April 1965

Official texts: English and Chinese.

Registered by the United States of America on 24 September 1965.

ÉTATS-UNIS D'AMÉRIQUE
et
RÉPUBLIQUE DE CHINE

Échange de notes (avec annexe) constituant un accord relatif à la création d'un Fonds sino-américain de développement économique et social. Taïpeh, 9 avril 1965

Textes officiels anglais et chinois.

Enregistré par les États-Unis d'Amérique le 24 septembre 1965.

No. 7939. EXCHANGE OF NOTES CONSTITUTING AN AGREEMENT[1] BETWEEN THE UNITED STATES OF AMERICA AND THE REPUBLIC OF CHINA RELATING TO THE ESTABLISHMENT OF A SINO-AMERICAN FUND FOR ECONOMIC AND SOCIAL DEVELOPMENT. TAIPEI, 9 APRIL 1965

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The American Ambassador to the Chinese Minister of Foreign Affairs

Taipei, April 9, 1965

No. 60

Excellency :

I have the honor to refer to the Economic Aid Agreement between the Government of the United States of America and the Government of the Republic of China, dated July 3, 1948,[2] as amended, and to the exchange of notes dated August 5, 1948,[3] as amended, providing for the establishment of a Sino-American Joint Commission on Rural Reconstruction. I refer also to discussions which have recently taken place between representatives of our two Governments concerning arrangements with respect to the utilization of the New Taiwan dollars generated as a consequence of assistance furnished by the Government of the United States of America to the Government of the Republic of China.

Article V of the Economic Aid Agreement stipulates, following the provisions on specific uses of such funds, that the balance thereof shall be disposed of by the Government of the Republic of China only for such purposes as may be agreed upon from time to time with the Government of the United States of America. The Government of the United States of America has heretofore expressed its agreement in this regard through the United States Aid Mission to China. With the closing of that Mission on June 30, 1965, I have the honor to propose that the remaining balances of such funds held by the Government of the Republic of China as of July 1, 1965, and all such funds to be received thereafter, be transferred to and consolidated in a single fund to be designated the Sino-American Fund for Economic and Social Development (hereinafter called "Sino-American Development Fund") and to be made available for the economic and social development of the Republic of China

[1] Came into force on 1 July 1965, in accordance with the terms of the said notes.
[2] United Nations, *Treaty Series*, Vol. 17, p. 119 ; Vol. 45, p. 326 ; Vol. 76, p. 245, and Vol. 235, p. 354.
[3] United Nations, *Treaty Series*, Vol. 82, p. 109.

in accordance with the arrangements set forth hereunder. In consideration of these arrangements, no further approval by the Government of the United States of America with respect to the use of these funds will be required after July 1, 1965.

Status of Funds

The status of the Counterpart Special Account and other related accounts as of October 31, 1964, is as set forth in the Annex hereto. These accounts shall be held open until June 30, 1965, with deposits into and withdrawals from such accounts continuing on the same basis as presently pertains to them. Closing balances of such accounts as of June 30, 1965 shall be verified and agreed to by representatives of our two Governments.

The Sino-American Development Fund Account

A. Effective July 1, 1965, all undisbursed funds owned by the Government of the Republic of China and held in the several accounts listed in the Annex hereto shall be released and transferred to a new consolidated account to be established in the Central Bank of China and/or Bank of Taiwan and to be designated the Sino-American Development Fund Account. Amounts thereafter received which, except for these arrangements, would have been subject to deposit in any of the accounts listed in the Annex hereto and refunds collected in connection with grants and reflows of interest and principal on loans, both as made from the Sino-American Development Fund, shall likewise be deposited in the Sino-American Development Fund Account

B. Effective July 1, 1965, the Government of the United States of America shall disburse to the Government of the Republic of China the funds then available for loans to the Government of the Republic of China in accordance with credit agreements entered into by our two Governments pursuant to sales agreements under Title I of the Agricultural Trade Development and Assistance Act of 1954, as amended. Thereafter, when additional funds become available in accordance with such credit agreements, they shall similarly be disbursed to the Government of the Republic of China. All such funds shall be deposited in a funded sub-account of the Sino-American Development Fund Account, and shall be available only for loans in accordance with the provisions of the related credit agreements (except that agreement as to the projects or other economic development purposes of such loans shall no longer be required) and the procedures and criteria governing the uses of the Sino-American Fund for Economic and Social Development. Funds provided under any such credit agreement which have not been obligated by the Government of the Republic of China through the execution of loan agreements within three years of the date of the related sales agreement or amendment thereof shall be refunded to the Government of the United States of America.

C. The Counterpart Special Account shall be held open for the purpose of receiving deposits of Chinese currency as provided in the Economic Aid Agreement. Following any such deposit, the funds so deposited shall be transferred from such account to the Sino-American Development Fund Account. All other accounts of the Government of the Republic of China listed in the Annex hereto will be closed out following the transfer of the undisbursed funds therein to the Sino-American Development Fund Account.

Uses of the Sino-American Development Fund

A. With the exception of the sub-account referred to in paragraph B under "The Sino-American Development Fund Account" above, the Sino-American Development Fund may be used to make repayments of principal, and payments of interest, on loans made by the Government of the United States of America to the Government of the Republic of China with respect to which New Taiwan dollars have been paid into the accounts listed in the Annex hereto or would have been paid into any of such accounts except for these arrangements.

B. The balance of funds available in the Sino-American Development Fund, after necessary provisions have been made to meet the requirements with respect to loan repayments set forth in paragraph A next above, may, in furtherance of the purposes of the Economic Aid Agreement and exchange of notes dated August 5, 1948, be used only for the following purposes:

1. To finance the costs of programs and projects approved prior to July 1, 1965, for financing from any of the accounts listed in the Annex hereto in accordance with the conditions of such approvals.
2. For loans and grants to finance economic and social development in the Republic of China, with no less than fifteen percent of the funds made available for such loans and grants in any fiscal year to be allocated for the use of the agricultural sector.
3. For technical cooperation with developing friendly nations.
4. For contributions to finance educational exchange activities supplementary to United States appropriated funds made available for such purpose under the agreement relating to educational and cultural activities signed at Taipei on April 23, 1964.[1]
5. For the payment of port storage, inland transportation, and handling charges with respect to commodities imported by or destined for U.S. voluntary nonprofit relief agencies for approved projects in the Republic of China.
6. For salaries and administrative expenses of agencies undertaking the planning, operation and administration of economic and social development projects and programs financed with the resources of the Sino-American Development Fund, namely, the Council for International Economic Cooperation and Development (CIECD), the Joint Commission on Rural Reconstruction (JCRR), and the salaries

[1] United Nations, *Treaty Series*, Vol. 524, p. 141.

and administrative expenses of the secretariat staff of the Managing Committee for Sino-American Fund for Economic and Social Development, hereinafter referred to.

7. For expenditures pursuant to Article V, paragraph 3 of the Economic Aid Agreement.

   It is recognized that the Sino-American Development Fund Account will not be adequate to provide for all of the essential requirements of economic and social development in the future, and accordingly, that it will be increasingly necessary for the Government of the Republic of China to provide through regular budgets those additional financial resources required for economic and social development.

C. Procedures and criteria for developing and approving programs and projects for the uses described in subparagraphs 2 through 5 of paragraph B next above shall be determined between CIECD, JCRR and United States Aid Mission to China prior to the establishment of the Sino-American Development Fund.

D. The designation of the Council for International Economic Cooperation and Development (CIECD) herein shall be understood to include the agency to be established by the Government of the Republic of China to perform the industrial development functions of CIECD. It is understood that the annual programs of scuh agency will be coordinated by CIECD.

Management of the Sino-American Development Fund

A. There shall be a Managing Committee for Sino-American Fund for Economic and Social Development which shall consist of the appropriate fiscal and monetary officials of the Government of the Republic of China assisted by a secretariat.

B. The balances of the Sino-American Development Fund not required to meet approved uses in any fiscal year shall be managed by the Committee, through investment, deposit, or otherwise, in a manner consistent with the maintenance of internal financial and monetary stability, with the promotion of social and economic development and with the preservation of the assets of the Sino-American Development Fund.

C. The Committee shall manage such balances of the Sino-American Development Fund so as:

First, to assure the availability therefrom of amounts adequate to meet scheduled repayments of the loans referred to in paragraph A under "Uses of the Sino-American Development Fund" above.

Second, so long as the amount of the Sino-American Development Fund permits, to make available for economic and social development (subject to paragraph C under "Uses of the Sino-American Development Fund" above) no less than NT$2 billion in each fiscal year comparable to the average annual amount of funds appropriated for such purposes in the past years.