



Treaty Series No. 37 (1959)

Agreement

between the Government of Hong Kong,
acting with the consent of the Government of the
United Kingdom of Great Britain and Northern Ireland,
and the Government of the Union of Burma

for the Supply of Cotton Textiles
and/or Yarns to the Union of Burma,
partially against Raw Cotton
to be delivered from the United States of America
under the United States PL 480 Programme

[with Exchange of Notes]

Rangoon, February 6, 1959

*Presented to Parliament by the Secretary of State for Foreign Affairs
by Command of Her Majesty
May 1959*

LONDON
HER MAJESTY'S STATIONERY OFFICE

SIXPENCE NET

AGREEMENT BETWEEN THE GOVERNMENT OF THE UNION OF BURMA AND THE GOVERNMENT OF HONGKONG ACTING WITH THE CONSENT OF THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND FOR THE SUPPLY OF COTTON TEXTILES AND/OR YARNS TO THE UNION OF BURMA, PARTIALLY AGAINST RAW COTTON TO BE DELIVERED FROM THE UNITED STATES OF AMERICA UNDER THE UNITED STATES PL 480 PROGRAMME

Rangoon, February 6, 1959

The Government of the Union of Burma and the Government of Hongkong, acting with the consent of the Government of the United Kingdom of Great Britain and Northern Ireland, desiring to make arrangements for the export of cotton textiles and/or yarns from Hongkong to the Union of Burma, and for the acceptance in Hongkong of raw cotton of a net weight no greater than the net weight of the cotton content of the cotton textiles and/or yarns so exported in partial payment for the cotton textiles and/or yarns (the balance to be paid in sterling), have reached an agreement as set forth below. However, this Agreement is subject to the United States of America issuing to the Government of the Union of Burma purchase authorization (hereinafter called PA) for raw cotton pursuant to Title I, United States Public Law 480-83rd Congress (hereinafter referred to as PL 480), and agreeing that the Government of the Union of Burma may transfer, as needed, to the Government of Hongkong the right to sub-authorize under this PA.

1.—The Government of Hongkong

A.—will facilitate the export to the Union of Burma of cotton textiles and/or yarns manufactured in Hongkong and contracted for by importers in the Union of Burma who have import authorization as described in paragraph II B below ;

B.1.—will arrange for the acceptance of raw cotton made available to the Government of the Union of Burma by the United States under PL 480 in partial payment for the C & F value of the cotton textiles and/or yarns exported to the Union of Burma under this Agreement ;

2.—understands that the Government of the Union of Burma has agreed with the Government of the United States that the net weight of such raw cotton, less a wastage factor of 15 per cent, will not exceed the net weight of cotton textiles and/or yarns exported to the Union of Burma under this Agreement ;

3.—for purposes of facilitating the computations described in paragraph A 6 of the annexed Procedure, will estimate for the Government of the Union of Burma the approximate average grade and quality of all raw cotton which is likely to be imported into Hongkong from the United States during the life of this Agreement ; and will endeavour to ensure that raw cotton imported under this Agreement will be of that average grade and quality, or better ;

C.—will arrange for the contracting for the raw cotton under the PA prior to May 30, 1959, and for its shipment prior to June 30, 1959, with the understanding that these terminal contracting and shipping dates may be extended by agreement between the Government of the Union of Burma and the Government of the United States ;

D.—will inform the Government of the Union of Burma from time to time of the net weight and values of shipments of cotton textiles and/or yarns, of credits opened for raw cotton, and of the net weights and values of actual shipments for raw cotton ;

E.—will arrange that the raw cotton shall be imported under the applicable regulations of the United States Department of Agriculture ;

F.—recognizes that the raw cotton imported hereunder will be in addition to the raw cotton that would otherwise be imported from the United States and countries friendly to the United States ;

G.—accepts that claims in respect of deficiency in quantity or quality of cotton textiles and/or yarns shall be settled by negotiations between exporters in Hongkong and importers in the Union of Burma in accordance with normal commercial practice, and that any deficiency in quality or quantity will be made good by additional supplies of cotton textiles and/or yarns or, failing that, by reimbursement in sterling in favour of the importers in the Union of Burma ;

H.—will arrange that all cotton textiles and/or yarns to be exported to the Union of Burma under the terms of this Agreement shall be shipped as early as possible, but in any case not later than the expiration date of the import licences and/or allocations described in paragraph II B below.

II.—The Government of the Union of Burma

A.1.—will from time to time transfer to the Government of Hongkong or its designated agent, the authority to sub-authorize the PA. Each such transfer of authority shall be made at the time of the deposit to the kyat Escrow Account mentioned in paragraph A 6 of the annexed Procedure, and shall specify an amount in dollars equivalent to that deposit ; however, it shall also specify that the net weight of the raw cotton purchased under the sub-authorization, less a wastage factor of 15 per cent, shall not exceed a stated amount ;

2.—in the event that the specified net weight limitation on raw cotton purchases is reached before the specified amount in dollars is used, will promptly pay the equivalent of the unused value of the sub-authorization to the Government of Hongkong in sterling ;

B.—will issue C & F import licences and/or make allocations to the Civil Supplies Management Board for cotton textiles and/or yarns as soon as possible after the date of this Agreement. Such licences and/or allocations shall be valid only in Hongkong and in other countries with which the Government of the Union of Burma has reached agreements which in all essential respects are similar to this Agreement, and shall be distinguished from ordinary import authorizations by the notation: " For PL 480 Transactions only ". The import licences and/or allocations shall be valid until April 30, 1959 ; but this date may be extended *pari passu* with the terminal dates for the contracting for, and shipment of raw cotton from the United States mentioned in paragraph I C above ;

C.—will arrange that importers in the Union of Burma of cotton textiles and/or yarns complete their purchase contracts with exporters in Hongkong as expeditiously as possible, and will arrange that such purchase contracts call for a shipment date as early as is possible and mutually convenient ;

D.—will be solely responsible for the deposit to the account of the Government of the United States of the kyat equivalent of United States

dollar disbursements for raw cotton as required under the PL 480 Agreement between the Union of Burma and the United States and the PA;

E.—will arrange to make prompt payments in accordance with the terms of the annexed Procedure ;

F.—in the event that fulfilment of the arrangement mentioned in paragraph I C is prevented by some occurrence over which the Government of Hongkong has no control, will recommend to the Government of the United States a reasonable extension of the PA.

III.—General Stipulations

A.—In the event of a small residual amount of sub-authorization against the PA (in the neighbourhood of \$1000) for which the United States cannot reasonably be expected to make shipment, a subsequent sub-authorization will be appropriately enlarged. If there are no subsequent sub-authorizations, settlement shall promptly be made by the Government of the Union of Burma to the Government of Hongkong in sterling.

B.—Commercial contracts for the delivery of the cotton textiles and/or yarns shall be made on terms to be negotiated between exporters in Hongkong and importers in the Union of Burma.

C.—The Government of Hongkong will be free to appoint a commercial firm or firms, or a nominated trade body, as its agent for the execution of this Agreement.

D.—The annexed Procedure shall be regarded as a part of this Agreement.

E.—The term " net weight " as used in this Agreement and in the annexed Procedure means the weight of the raw cotton, cotton textiles, or cotton yarns (as the case may be) exclusive of the weight of any and all packing materials, expressed in pounds avoirdupois.

In witness whereof the undersigned, being duly authorized thereto, have signed this Agreement.

Done in two original copies, both of which are authentic, at Rangoon this Sixth day of February, 1959.

U SEIN KYI

For the Government of the
Union of Burma.

R. H. S. ALLEN

For the Government of
Hongkong.

PROCEDURE

A.—For cotton textiles and/or yarns that will be imported by the Union of Burma

1. The Government of the Union of Burma will issue import licences and/or make allocations to its importers for the C & F value of the cotton textiles and/or yarns.

2. Importers in the Union of Burma will place orders for the cotton textiles and/or yarns with exporters in Hongkong and open kyat Letters of Credit through the State Commercial Bank, Rangoon (hereinafter called the State Commercial Bank) at the U.S. dollar selling rate of exchange fixed by the State Commercial Bank in favour of the exporters to cover purchases. All contract prices shall be expressed in kyat. Letters of Credit will be opened immediately after conclusion of the relevant contract and advised through a bank designated by the Government of Hongkong in agreement with Government of the Union of Burma.

3. Exporters in Hongkong will ship the cotton textiles and/or yarns and draw drafts against kyat Letters of Credit. In addition to the usual information in documents submitted to the designated bank at the time of negotiation of the drafts, invoices will show the net weight of each shipment as well as the kyat value thereof.

4. The bank designated by the Government of Hongkong will negotiate drafts from the exporters.

5. The bank designated by the Government of Hongkong will forward the drafts and relevant documents to the State Commercial Bank.

6. The State Commercial Bank will credit PL 480 Sundry Deposit Account in the name of the bank designed by the Government of Hongkong. Immediately subsequent to the fifteenth of each month or the next working day if the fifteenth is a holiday, the Ministry of Trade Development of the Government of the Union of Burma shall be notified by the State Commercial Bank (after agreement with the bank designated by the Government of Hongkong as per paragraph 8 below) that a certain sum has been deposited covering so much net weight of textiles and/or yarns. The Ministry of Trade Development will then instruct the State Commercial Bank to pay out of this sum an amount in sterling equal to the total sum less an amount which it estimates can be covered by raw cotton purchase under the PL 480 Agreement. The balance remaining will be deposited to an Escrow Account in accordance with the instruction of the bank designated by the Government of Hongkong.

7. The kyat amounts in the Escrow Accounts will be debited only in accordance with the terms stipulated in paragraph B.9 (i).

8. The bank designated by the Government of Hongkong will record details of such sums forming the total of kyat specified in paragraph 6 of this part of the Procedure and shall reconcile its record of values and weights with that of the State Commercial Bank before any notification to the Ministry of Trade Development.

9. The State Commercial Bank shall record from the invoices submitted the net weight of cotton textiles and/or yarns shipped from the nominated country or countries for submission to the Ministry of Trade Development.

B.—*For United States raw cotton that will be imported by Hongkong*

1. The United States Department of Agriculture (Commodity Credit Corporation) will issue Letters of Commitment to United States banks nominated by the State Commercial Bank in respect of the dollar Letters of Credit to be opened under the Purchase Authorization by the bank designated by the Government of Hongkong.

2. The Government of the Union of Burma will designate the Government of Hongkong or a trade body nominated by that Government as its agent to sub-authorize procurement of the raw cotton under the Purchase Authorization.

3. Importers in Hongkong will place orders for the raw cotton.

4. The bank designated by the Government of Hongkong will open dollar Letters of Credit in favour of the raw cotton exporters and advise them through the United States banks holding Letters of Commitment issued.

5. United States exporters will ship the raw cotton and draw drafts against the dollar Letters of Credit.

6. United States banks will negotiate the drafts and pay the United States exporters in dollars and will forward documents of title to the bank designated by the Government of Hongkong.

7. United States banks will draw dollar drafts on the United States Department of Agriculture (Commodity Credit Corporation) and collect dollars.

8. United States banks will notify the State Commercial Bank and request it to deposit an equivalent amount of kyats to the special United States Account.

9. The State Commercial Bank will

- (i) debit the kyat Escrow Accounts of the bank designated by the Government of Hongkong in amounts equivalent to the dollar drafts at the same rate of exchange at which the corresponding kyat Letters of Credit were opened for the import of cotton textiles and/or yarns,
- (ii) credit the Special United States Government Accounts with appropriate amounts of kyats at the rate of exchange agreed upon between the Government of the Union of Burma and the Government of the United States, and
- (iii) forward the dollar drafts to the bank designated by the Government of Hongkong.

10. The bank designated by the Government of Hongkong will collect from importers therein amounts equivalent to the dollar drafts paid under the dollar Letters of Credit opened pursuant to United States Department of Agriculture Letters of Commitment. This collection will compensate for the debit to its kyat Escrow Account made by the State Commercial Bank.

11. (i) The designated bank in Hongkong will make payment to importers of raw cotton of all dollar sums remitted by United States shippers in respect of shipments deficient in quality or quantity (or in respect of other claims as specified in the PA).

(ii) The United States bank will report to Commodity Credit Corporation at the end of each calendar quarter the total amount of such dollar sums remitted during the preceding quarter.

(iii) On demand by the United States bank, the designated bank in Hong-kong will pay to the United States bank for the account of Commodity Credit Corporation a sum in dollars equal to the total amount of the dollar sums remitted during the preceding quarter.

(iv) On receipt of the dollar payment from the designated bank in Hong-kong, the United States Department of Agriculture will issue a PA for raw cotton to the same dollar value to the Government of the Union of Burma who will immediately transfer all authority to sub-authorize it to the Government of Hongkong. This PA will authorize replacement of cotton without a deposit in local currency, and United States Department of Agriculture would look to Hongkong for settlement of any claims which might arise under the refund PA. Only 95% of the invoice value will be financed under the PA.

No. 1

Her Majesty's Ambassador at Rangoon to the Secretary to the Burmese Ministry of Trade Development

British Embassy, Rangoon, February 6, 1959.

Sir,

I have the honour to refer to our negotiations regarding the Agreement, signed today, between the Government of Hongkong acting with the consent of the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Union of Burma for the supply of cotton textiles and/or yarns to the Union of Burma, and for acceptance in Hongkong of raw cotton from the United States of America as partial payment, subject to the issuing by the United States of America to the Government of the Union of Burma of a purchase authorization for such raw cotton pursuant to Title I, United States Public Law 480.

During the negotiations the following understandings have been reached:—

- (a) Inspection of cotton textiles and/or yarns to be exported under the said Agreement will, if so desired by the importers take place in Hongkong prior to shipment. For this purpose the Government of Hongkong and the Government of the Union of Burma will advise the exporters and importers respectively that suitable arrangement may be made in their respective contracts between the importers in the Union of Burma and the exporters in Hongkong.
- (b) Manufacturers and exporters in Hongkong will supply cotton textiles and/or yarns to be exported under the said Agreement at fair and reasonable prices. The Government of Hongkong will also try their best to see that the export prices are fair and reasonable.
- (c) The State Commercial Bank, Rangoon, will adopt 480 kyats per 100 U.S. dollars as the rate of exchange to be fixed in accordance with paragraph A 2 of the Procedure annexed to the said Agreement, and for payments to be made in sterling the rate of exchange shall be 1s. 5 31/32d. per 1 kyat.
- (d) The kyat-U.S. dollar rate of exchange and the kyat-sterling rate of exchange existing at the time of opening of any specific Letter of Credit will apply to all subsequent transactions under the said Letter of Credit, including payments through sub-authorization for raw cotton and payments in sterling.

- (e) The State Commercial Bank will not change the kyat-U.S. dollar rate of exchange mentioned in paragraph (c) above unless and until the actual U.S. dollar selling rate fluctuates against kyat appreciably beyond 480 kyats per 100 U.S. dollars and stays so for such a period as may cause a net loss to the said Bank. The same principle will apply to the kyat-sterling rate of exchange mentioned in the said paragraph. Should the State Commercial Bank be compelled to change either or both of these rates of exchange, it will inform the Government of Hongkong of such change at least 24 hours prior to its actual application, and such revision of rates will be applied simultaneously to all other countries who have entered into similar agreement with the Government of the Union of Burma for supply of cotton textiles and/or yarns.
- (f) In the event of a revision of rates as envisaged in paragraph (e) above or in the event of any possible revaluation of the kyat all subsequent Letters of Credit will be opened at the new rate of exchange.
- (g) The amount which can be covered by raw cotton purchase as provided for in paragraph A 6 of the Procedure annexed to the said Agreement shall be computed upon the basis of the export price, prevailing on a date near the time the Sundry Deposit Account is cleared, of the average Grade U.S. raw cotton which is likely to be imported into Hongkong from the United States during the life of the said Agreement.
- (h) Any change (such as the requirement to satisfy the weight limitation and the value limitation) in the bilateral agreements entered into with other processing countries which if not applied to Hongkong would fundamentally put Hongkong at a position of disadvantage shall automatically apply to Hongkong.

I shall be grateful for your confirmation of the above understandings.

Please accept &c.

R. H. S. ALLEN.

No. 2

The Secretary to the Burmese Ministry of Trade Development to Her Majesty's Ambassador at Rangoon

*Ministry of Trade Development,
Rangoon, February 6, 1959.*

Excellency,

I have the honour to acknowledge the receipt of your note of to-day's date which reads as follows:—

[As in No. 1]

I have the honour to confirm the above understandings.

Please accept &c.

SEIN KYI.

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