



Treaty Series No. 46 (1963)

Agreement

between the Government of the
United Kingdom of Great Britain and Northern Ireland,
acting in respect of Hong Kong, and the
Government of the Union of Burma,
for the Supply of Cotton Yarns to the Union of Burma
partially against Raw Cotton to be delivered from the
United States of America under the United States
Agricultural Trade Development and
Assistance Act Programme

Rangoon, April 2, 1963

[The Agreement entered into force on signature.]

*Presented to Parliament by the Secretary of State for Foreign Affairs
by Command of Her Majesty
June 1963*

LONDON
HER MAJESTY'S STATIONERY OFFICE

EIGHTPENCE NET

AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND, ACTING IN RESPECT OF HONG KONG, AND THE GOVERNMENT OF THE UNION OF BURMA, FOR THE SUPPLY OF COTTON YARNS TO THE UNION OF BURMA PARTIALLY AGAINST RAW COTTON TO BE DELIVERED FROM THE UNITED STATES OF AMERICA UNDER THE UNITED STATES AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT PROGRAMME

The Government of the United Kingdom of Great Britain and Northern Ireland, acting in respect of Hong Kong, and the Government of the Union of Burma:

Desiring to make arrangements for the export of cotton yarns from Hong Kong to the Union of Burma and for the acceptance in Hong Kong of raw cotton in partial payment for the cotton yarns (the balance to be paid in United States dollars):

Have agreed as follows:—

ARTICLE 1

This Agreement is subject to the United States of America issuing to the Government of the Union of Burma a tripartite purchase authorization (hereinafter referred to as "the T.P.A.") for raw cotton pursuant to Title I, United States Agricultural Trade Development and Assistance Act, as amended (hereinafter referred to as "the Act").

ARTICLE 2

The Government of Hong Kong—

- (a) shall facilitate the export to the Union of Burma of cotton yarns manufactured in Hong Kong and contracted for by importers in the Union of Burma who have import authorizations as described in sub-paragraph (a) of Article 3 of this Agreement;
- (b) (i) shall arrange for the acceptance of raw cotton made available to the Government of the Union of Burma by the United States under the Act in partial payment of the f.o.b. value of the cotton yarns exported to the Union of Burma under this Agreement;
- (ii) understand that the Government of the Union of Burma have agreed with the Government of the United States that the value of such raw cotton shall be 65 per cent of the f.o.b. value of yarns exported to the Union of Burma under this Agreement;
- (c) shall arrange for the contracting for the raw cotton under the T.P.A. prior to the 31st of August, 1963 and for its shipment prior to the 30th of September, 1963 with the understanding that the Government of the Union of Burma shall not be responsible for the unutilized balance of the T.P.A.;

- (d) shall inform the Government of the Union of Burma from time to time of the values of shipments of cotton yarns, of Letters of Credit opened for raw cotton and of the values of actual shipments of raw cotton;
- (e) shall arrange that the raw cotton shall be imported under the applicable regulations of the United States Department of Agriculture;
- (f) recognize that the raw cotton imported hereunder shall be in addition to the raw cotton that would otherwise be imported from the United States and countries friendly to the United States;
- (g) accept that claims in respect of deficiency in quality or quantity of cotton yarns shall be settled by negotiations between exporters in Hong Kong and importers in the Union of Burma in accordance with normal commercial practice, and that any deficiency in quality and/or quantity shall be made good by additional supplies of cotton yarns or, failing that, by re-imbusement in United States dollars in favour of the importers in the Union of Burma;
- (h) shall arrange that all cotton yarns to be exported to the Union of Burma under the terms of this Agreement shall be shipped in accordance with the terms of the purchase contracts.

ARTICLE 3

The Government of the Union of Burma—

- (a) shall make allocations to the appropriate importing organization for cotton yarns as soon as possible after the date of this Agreement. Such allocations shall be valid only for Hong Kong and for other countries with which the Government of the Union of Burma have 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", and marked "valid for State Commercial Bank only";
- (b) shall apply to the United States Government for the issuance of a T.P.A. and shall transfer to the Government of Hong Kong or its designated agent the authority to sub-authorize the T.P.A. for the raw cotton equivalent to the value of 65 per cent of the f.o.b. value of cotton yarns so contracted as soon as possible after purchase contracts of cotton yarns are concluded under this Agreement, provided that the designated bank in Hong Kong executes an indemnity in form acceptable to the Government of the Union of Burma;
- (c) shall arrange that importers in the Union of Burma of cotton yarns complete their purchase contracts with exporters in Hong Kong as expeditiously as possible and shall arrange that such purchase contracts call for a shipment date as early as is possible and mutually convenient;
- (d) shall 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

Agricultural Commodities Agreement of 1962 between the Government of the Union of Burma and the Government of the United States and the T.P.A.;

- (e) shall arrange to make prompt payments in accordance with the terms of the Procedure annexed to this Agreement;
- (f) in the event that fulfilment of the arrangement mentioned in subparagraph (c) of Article 2 of this Agreement is prevented by some occurrence over which the Government of Hong Kong have no control, shall recommend to the Government of the United States a reasonable extension of the T.P.A.

ARTICLE 4

General Stipulations

(1) In the event of a small residual amount under the T.P.A., for which the United States cannot reasonably be expected to make shipment, settlement shall promptly be made by the Government of the Union of Burma to the Government of Hong Kong in United States dollars, provided that no final settlements in United States dollars shall exceed \$1,000.

(2) Commercial contracts for the delivery of the cotton yarns shall be made on terms to be negotiated between exporters in Hong Kong and importers in the Union of Burma.

(3) The Government of Hong Kong shall be free to appoint a commercial firm or firms, or a nominated trade body, as its agent for the execution of this Agreement.

(4) The Procedure annexed to this Agreement shall form an integral part thereof.

(5) Any modification in the bilateral agreements entered into by the Government of the Union of Burma with other processing countries which, if not applied to Hong Kong, would fundamentally put Hong Kong at a position of disadvantage, shall automatically apply to Hong Kong.

(6) This Agreement shall come into force on the date of signature.

In witness whereof the undersigned, being duly authorized thereto by their respective Governments, have signed this Agreement.

Done in duplicate at Rangoon this second day of April, 1963, in the English language.

For the Government of the United Kingdom of Great Britain and Northern Ireland:

For the Government of the Union of Burma:

G. C. WHITTERIDGE

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ANNEX

PROCEDURE

A. For Cotton yarns that will be imported by the Union of Burma

1. The Government of the Union of Burma will make allocations to its importers for the f.o.b. plus freight value of the cotton yarns.

2. Importers in the Union of Burma will place orders for the cotton yarns with exporters in Hong Kong and, as provided by the contract, will open kyat irrevocable Letters of Credit through the State Commercial Bank (see paragraph 8 below) in favour of exporters to cover purchases. All contract prices shall be expressed in Kyats. Letters of Credit will be advised through the bank designated by the Government of Hong Kong in agreement with the Government of the Union of Burma.

3. Exporters in Hong Kong will ship the cotton yarns and draw drafts against kyat Letters of Credit. In addition to the usual documents submitted to the bank designated by the Government of Hong Kong at the time of negotiation, they will present three drafts;

(a) for raw cotton based on 65 per cent of f.o.b. value of the cotton yarns shipped;

(b) for processing cost based on 35 per cent of f.o.b. value of the cotton yarns shipped; and

(c) for the actual cost of freight to be reimbursed to the exporter.

All drafts will show the kyat value as well as the U.S. dollar value calculated at the fixed rate in accordance with paragraph 8 below.

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

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

6.—(a) The State Commercial Bank will credit the kyat amount of the raw cotton value of the cotton yarns as shown in 3 (a) above to the Kyat Escrow Account in the name of the bank designated by the Government of Hong Kong at the rate specified in the kyat Letters of Credit, and

(b) the bank designated by the Government of Hong Kong will reimburse itself on the bank in the United States nominated by the State Commercial Bank for payment of the drafts as shown in 3 (b) and 3 (c) above at the rate specified in the kyat Letters of Credit.

7. The amounts in the Kyat Escrow Accounts will be debited at the rate quoted in paragraph 8 below.

8.—(a) The State Commercial Bank will adopt U.S.\$100=K480 as the rate of exchange to be fixed in accordance with paragraph A.2 above.

(b) The kyat-U.S. dollar 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 under the T.P.A. for raw cotton.

(c) The State Commercial Bank will not change the kyat-U.S. dollar rate of exchange mentioned in paragraphs A.2 and 8 (a) above unless and until the actual U.S. dollar selling rate fluctuates against kyat appreciably beyond U.S.\$100=Kyat 480 and stays so for such a period as may cause a significant net loss to the said bank. Should the State Commercial Bank be compelled to change the rate of exchange it will inform the Government of Hong Kong of such change at least 24 hours prior to its actual application, and such revision of rate will be applied simultaneously to all other countries which have entered into similar arrangements with the Government of the Union of Burma for the supply of cotton yarns.

(d) In the event of a revision of the rate as envisaged in paragraph 8 (c) 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 and a separate Escrow Account, distinguished from pre-revision account, shall be established in order to operate all subsequent transactions which arise from the Letters of Credit bearing the new rate of exchange.

B. For United States raw cotton that will be imported by Hong Kong

1. The Government of the Union of Burma will designate the Government of Hong Kong as its agent to procure the raw cotton under the T.P.A.

2. The U.S. Department of Agriculture (Commodity Credit Corporation) will issue Letters of Commitment to the bank in the U.S. nominated by the State Commercial Bank in respect of the dollar Letters of Credit to be opened under the T.P.A. by the bank designated by the Government of Hong Kong.

3. Importers in Hong Kong will place orders for the raw cotton.

4. The bank designated by the Government of Hong Kong will open dollar Letters of Credit in favour of the raw cotton exporters and advise them through the bank in the U.S. holding the Letters of Commitment issued.

5. Exporters in the U.S. will ship the raw cotton and draw drafts against the dollar Letters of Credit.

6. The bank in the U.S. will negotiate the drafts and pay the U.S. exporters in dollars.

7. The U.S. Department of Agriculture (Commodity Credit Corporation) will make reimbursement for 95 per cent or less of the invoice value of each shipment financed by the bank in the U.S. while the remaining 5 per cent or more will be for the account of importers in Hong Kong. In the aggregate Commodity Credit Corporation will finance up to the full dollar amount authorised under the T.P.A. Any claims resulting from the shipments of the raw cotton will be settled directly between importers in Hong Kong and exporters in the U.S.

8. The bank in the U.S. will notify the State Commercial Bank and request it to deposit an equivalent amount of kyats to the special U.S. Government Account.

9. The State Commercial Bank will :

- (i) debit the Kyat Escrow Account of the bank designated by the Government of Hong Kong with 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 yarns;
- (ii) credit the Special U.S. Government Account with appropriate amounts of kyats at the rate of exchange ruling on the day of negotiation of the draft by the bank in the U.S. The difference arising as a result of applying the rate of the day instead of the rate laid down in paragraph A.8 of the Procedure, will be debited or credited to an Escrow Suspense Account;
- (iii) in the event that the kyats in the Escrow Suspense Account are less or more on final settlement than the amount required for deposit to the Special U.S. Government Account as a result of differences in actual rates of exchange applied, the Government of the Union of Burma will arrange for the deposit of the sum necessary to cover any deficit or will benefit from any surplus;
- (iv) in the event that the total credits to the Kyat Escrow Account in the name of the designated bank in Hong Kong are less on final settlement than the total debits to the Kyat Escrow Account as a result of non-shipment or short-shipment of cotton yarns from Hong Kong, the State Commercial Bank will call upon the designated bank in Hong Kong to make payment in U.S. dollars under the Indemnity given by the designated bank at the time of applying for the T.P.A. as stated in sub-paragraph (b) of Article 3 of the Agreement.

10. The bank designated by the Government of Hong Kong will collect from importers therein amounts equivalent to the dollar drafts paid under the dollar Letters of Credit opened pursuant to U.S. 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 Hong Kong will make payment to importers of raw cotton of all dollar sums remitted by U.S. shippers in respect of shipments deficient in quality or quantity (or in respect of other claims as specified in the T.P.A.).

(ii) The bank in the U.S. 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 bank in the U.S., the designated bank in Hong Kong will pay to the bank in the U.S. 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 U.S. Department of Agriculture will authorize replacement of cotton without a deposit in local currency, and the U.S. Department of Agriculture would look to Hong Kong for settlement of any claims which might arise under the refund. Only 95 per cent of the invoice value will be financed under the T.P.A.

12. Any adjustment refunds caused by any deficiency in quality or quantity shall be settled by negotiation between the exporters in the U.S.A. and the importers in Hong Kong in accordance with normal commercial practice, and any deficiency in quality or quantity will be made good by additional supplies of raw cotton or, failing that, by reimbursement in U.S. dollars in favour of the Government of Hong Kong.

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