



Treaty Series No. 36 (1959)

Exchange of Notes and Memorandum of Understanding

between the Government of the
United Kingdom of Great Britain and Northern Ireland
and the Government of the Union of Burma

concerning the Export of Cotton Textiles and/or Yarn
from the United Kingdom to the Union of Burma
and the Acceptance in the United Kingdom
in Partial Payment of Raw Cotton from the United States

Rangoon, January 20, 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
NINEPENCE NET

**EXCHANGE OF NOTES AND MEMORANDUM OF UNDERSTANDING
BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM OF
GREAT BRITAIN AND NORTHERN IRELAND AND THE
GOVERNMENT OF THE UNION OF BURMA CONCERNING THE
EXPORT OF COTTON TEXTILES AND/OR YARN FROM THE
UNITED KINGDOM TO THE UNION OF BURMA AND THE
ACCEPTANCE IN THE UNITED KINGDOM IN PARTIAL
PAYMENT OF RAW COTTON FROM THE UNITED STATES**

Rangoon, January 20, 1959

No. 1

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

Sir,

Rangoon, January 20, 1959.

I have the honour to refer to discussions which have taken place between representatives of the Government of the United Kingdom and Northern Ireland and the Government of the Union of Burma relating to arrangements for the export of cotton textiles and/or yarn from the United Kingdom to the Union of Burma and for the acceptance in the United Kingdom of raw cotton from the U.S.A. under the purchase authorization issued by the Government of the U.S.A. for such raw cotton pursuant to Title I of the United States Agricultural Trade Development and Assistance Act of 1954.

2. Certain understandings reached during those discussions are set out in the Memorandum which is annexed to this Note.

3. I now have the honour to inform you that the understandings set out in that Memorandum are acceptable to the Government of the United Kingdom of Great Britain and Northern Ireland, and to propose that, if they are also acceptable to the Government of the Union of Burma, the present Note and Memorandum annexed thereto, together with your reply in that sense, should be regarded as constituting an Agreement between the two Governments in this matter which shall enter into force on this day's date.

Please accept, &c.,

R. H. S. ALLEN.

Memorandum of Understanding between the Government of the Union of Burma and 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 Payment in Sterling and Partially against Raw Cotton to be Delivered from the United States of America to the United Kingdom under the United States PL 480 Programme

The Government of the Union of Burma and the Government of the United Kingdom of Great Britain and Northern Ireland (hereinafter referred to as "The Government of the United Kingdom") desiring to make arrangements for the export of cotton textiles and/or yarn from the United Kingdom to the Union of Burma, and for the acceptance in the United Kingdom, in partial payment for the cotton textiles and/or yarn (the balance to be paid in sterling) of raw cotton of a net weight no greater than the net weight of the cotton content of the cotton textiles and/or yarn so exported, have reached an understanding as set forth below. This understanding is made in the knowledge that the Government of the United States of America have issued to the Government of the Union of Burma a 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 have agreed that the Government of the Union of Burma may transfer, as needed, to the Government of the United Kingdom the right to sub-authorize under this PA.

I. The Government of the United Kingdom

A.—will facilitate the export to the Union of Burma of cotton textiles and/or yarn manufactured in the United Kingdom, against contracts placed by importers in the Union of Burma who have import licences and/or allocations 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 total net weight of raw cotton less a wastage factor of 15%, will not exceed the net weight of cotton textiles and/or yarn exported to the Union of Burma by the United Kingdom under this Agreement.

3.—notes that the Government of the Union of Burma desires that United Kingdom importers of raw cotton under these arrangements should purchase cotton of grades not below the average assumed in calculating the value of sub-authorization under the PA and will notify importers accordingly.

4.—for purposes of facilitating the computations described in paragraph A.7 of the annexed Procedure (which computations are designed in accordance with the above-mentioned Agreement) and in order to minimize terminal adjustments, will:

- (a) recommend to the Government of the Union of Burma a figure expressed in U.S. cents per pound which will represent as nearly as can be estimated the average value of the United States raw cotton likely to be imported into the United Kingdom during the life of this Agreement;

(b) keep a careful check throughout the life of this Agreement of the net weights of cotton textiles and/or yarn shipped as compared with the weights of raw cotton contracted for; and will immediately advise the Government of the Union of Burma if the above-mentioned figure should be modified (for purposes of computation) because of appreciable discrepancies between estimated and actual average values of raw cotton contracted for;

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 weights 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 of 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 yarn shall be settled by negotiations between exporters in the United Kingdom and importers in the Union of Burma in accordance with normal commercial practice, and that any deficiency in quantity or quality will be made good by additional supplies of cotton textiles and/or yarn or, failing that, by reimbursement in sterling in favour of the Government of the Union of Burma.

H.—will arrange that all cotton textiles and/or yarn 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 the United Kingdom 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. 7 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 the United Kingdom in sterling.

B.—will issue C & F import licences and/or make allocations to the Civil Supplies Management Board for cotton textiles and/or yarn as soon as possible after the date of this Agreement. Such licences and/or allocations shall be valid only in the United Kingdom 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" and marked "Valid for State Commercial Bank 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 the United Kingdom 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 the United Kingdom has no control, will recommend to the Government of the United States a reasonable extension of the PA. If for any reason an extension of the PA is not granted, representatives of the Government of the Union of Burma and of the Government of the United Kingdom will consult together with a view to finding a solution acceptable to both parties.

III. General Stipulations

A.—In the event of a small residual amount of sub-authorization against the PA (in the neighbourhood of \$1,000) 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 the United Kingdom 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 the United Kingdom and importers in the Union of Burma.

C.—The Government of the United Kingdom 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 part of this Memorandum.

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*.

PROCEDURE

A.—For cotton textiles and/or yarn 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 the United Kingdom and open kyat Letters of Credit through the State Commercial Bank, Rangoon (hereinafter called 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 the United Kingdom in agreement with the Government of the Union of Burma.

3. Exporters in the United Kingdom 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, there will be invoices which will show the net weight of each shipment as well as the kyat value thereof.

4. The designated bank in the United Kingdom will negotiate drafts from the exporters and pay them in local currency.

5. The designated bank in the United Kingdom will forward the drafts and relevant documents to the State Commercial Bank.

6. The State Commercial Bank will arrange for prompt collection of kyat against drafts drawn by United Kingdom textile exporters and will credit the kyat value of the drafts to the PL 480 Deposit Account, prefixed by the name of the United Kingdom (hereinafter called the United Kingdom Deposit Account).

7. Subsequent to the fifteenth day of each month or the next working day if the fifteenth is a holiday:—

- (a) the State Commercial Bank will notify the Ministry of Trade Development of the Government of the Union of Burma of the total value of kyat deposits to the United Kingdom Deposit Account during the preceding monthly period and of the total net weight of the corresponding shipments of textiles and/or yarn. Before doing so the State Commercial Bank will agree these two figures with the designated bank in the United Kingdom;
- (b) the Ministry of Trade Development of the Government of the Union of Burma will estimate the value of United States raw cotton which can be covered by purchases under the PL 480 Agreement equivalent in weight to the weight of the cotton textiles and/or yarn after an adjustment of 15% for wastage;
- (c) the Ministry of Trade Development of the Government of the Union of Burma will instruct the State Commercial Bank to transfer to the designated bank in the United Kingdom a sum equal to the amount of the total deposits in the United Kingdom Deposit Account referred to in (a) above, less the value of raw cotton estimated as in (b) above. This transfer will be made in sterling;
- (d) the Ministry of Trade Development of the Government of the Union of Burma will instruct the State Commercial Bank to transfer the balance remaining in the United Kingdom Deposit Account to an

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Escrow Account in accordance with the instructions of the designated bank in the United Kingdom;

- (e) the Government of the Union of Burma will transfer to the Government of the United Kingdom authority to sub-authorize procurement of cotton under the PA to an amount in United States dollars equivalent to the sum transferred to the Escrow Account under (d) above at the kyat/dollar rate of exchange in operation for this purpose at the date of the transfer to the Escrow Account and will notify the United States Department of Agriculture.

The above calculations and operations will be carried out as quickly as possible and within a period not exceeding one month from the day that the balances are substantially agreed between the State Commercial Bank and the designated bank in the United Kingdom.

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

B.—For United States Cotton that will be imported by the United Kingdom

1. The Government of the Union of Burma will, as stated in paragraph A. 7 above, designate the Government of the United Kingdom or a trade body nominated by that Government as its agent to sub-authorize procurement of the cotton under the PA.

2. 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 PA by the designated bank in the United Kingdom.

3. Importers in the United Kingdom will place orders for the raw cotton.

4. The designated bank in the United Kingdom 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 by the United States Department of Agriculture.

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.

7. United States banks will draw dollar drafts on the United States Department of Agriculture (Commodity Credit Corporation) and collect dollars, and will forward title documents to the designated bank in the United Kingdom.

8. United States banks will notify the State Commercial Bank and request them to deposit an equivalent amount of kyat to the Special United States Account.

9. The State Commercial Bank will

- (i) debit the kyat Escrow Account of the designated bank in the United Kingdom in amounts equivalent to the dollar drafts at the same rate of exchange as that specified in the corresponding kyat Letters of Credit for the import of cotton textiles and/or yarns and at which the Escrow Account was credited;
- (ii) credit the Special United States Accounts with appropriate amounts of kyat at the rate of exchange agreed upon between the Government of the Union of Burma and the Government of the United States;

- (iii) in the event that the kyat in the Escrow Account of the designated bank in the United Kingdom are less or more on final settlement than the amount required for deposit to the Special United States 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.

10. The designated bank in the United Kingdom 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 local currency will compensate for the debit to its kyat Escrow Account made by the State Commercial Bank.

11.—(i) the designated bank in the United Kingdom 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 the United Kingdom 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 the United Kingdom, 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 the United Kingdom. This PA will authorize replacement of cotton without a deposit in local currency, and United States Department of Agriculture would look to the United Kingdom 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. 2

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

Excellency,

Rangoon, January 20, 1959.

I have the honour to acknowledge the receipt of your Note of to-day's date (with the Memorandum attached thereto) which reads as follows:—

[As in No. 1.]

I have the honour to inform Your Excellency that the understandings set out in that Memorandum are also acceptable to the Government of the Union of Burma, and that they agree with your proposal that your Note and the Memorandum annexed thereto, together with this reply, should be regarded as constituting an agreement between the two Governments in this matter which shall enter into force on this day's date.

Please accept, &c.,

SEIN KYI.

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

Sir, *Rangoon, January 20, 1959.*

I have the honour to refer to discussions which have taken place between representatives of the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Union of Burma relating to arrangements for the export of cotton textiles and/or yarn from the United Kingdom to the Union of Burma and for the acceptance in the United Kingdom of raw cotton from the U.S.A. under the purchase authorization issued by the Government of the U.S.A. for such raw cotton pursuant to Title I of the United States Agricultural Trade Development and Assistance Act of 1954.

2. During the discussions consideration was given to the question of the exchange rates to be applied to the various operations under the Agreement, and the following understandings were reached:

- (a) All payments made in sterling by the State Commercial Bank to the designated bank in the United Kingdom under paragraph A. 7 (c) of the Procedure annexed to the Memorandum of Understanding (hereinafter referred to as the said Procedure) shall initially be made at the rate of exchange $K1 = 17 \cdot 31/32$ pence;
- (b) The rate of exchange between the kyat and the U.S. dollar to be used in all calculations relating to the periodic transfers of authority to sub-authorise the PA for raw cotton and corresponding deposits to the Escrow Account in accordance with paragraph A. 7 of the said Procedure shall be the U.S. dollar selling rate fixed by the State Commercial Bank and specified in the kyat Letters of Credit opened under paragraph A. 2 of the said Procedure. In this connection you pointed out that the State Commercial Bank have decided to fix the rate at K480 per U.S.\$100);
- (c) The State Commercial Bank will not change the kyat/U.S. dollar rate of exchange unless and until the actual U.S. dollar selling rate fluctuates against kyat appreciably beyond K480 per \$100 and stays so for such a period as may cause a significant net loss to the said Bank, the same principle being also applied to the kyat/sterling rate of exchange;
- (d) Should the State Commercial Bank be compelled to change either or both the kyat/sterling or the kyat/dollar rates the Government of the United Kingdom would be informed at least 24 hours before its actual application to transactions under the Agreement and the new rates would 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 textiles and/or yarns;
- (e) In the event of such a change in the rates of exchange the operations specified in paragraph A. 7 of the said Procedure would be carried out at the previous rates of exchange in respect of all textile shipments for which kyat Letters of Credit were opened before the date of the change, whereas transactions for which Letters of Credit were opened after the change would be dealt with at the new rates.

3. The question was also raised of the effect of a possible revaluation of the kyat during the operation of the Agreement. You pointed out that, in

the event of such a revaluation, the rates of exchange for U.S. dollars and/or pounds sterling specified in paragraph 2 above would be automatically adjusted with effect from the date of and in direct proportion to any such revaluation. It is our understanding that, in addition, adjustments would be made in the following respects:—

- (a) the kyat value of the following will be adjusted, with effect from the date decided by the State Commercial Bank to apply the new rate of exchange and in direct proportion to the revaluation:
 - (i) Letters of Credit opened subsequent to the revaluation;
 - (ii) drafts negotiated under Letters of Credit opened subsequent to revaluation;
- (b) with regard to the arrangements whereby the State Commercial Bank, on receiving the drafts drawn against kyat Letters of Credit, will credit the equivalent amounts of kyat to the United Kingdom PL 480 Deposit Account, in the first instance, pending:—
 - (i) debit to the United Kingdom PL 480 Deposit Account and remittance to the designated bank in the United Kingdom of that portion of the value of imports to be paid for by the Government of the Union of Burma in sterling (at the rate of exchange of K1=17.31/32); and
 - (ii) transfer of the balance remaining in the United Kingdom PL 480 Deposit Account after completion of (i) above to the United Kingdom Escrow Account and the consequent allocation to the Government of the United Kingdom of an authority to purchase cotton under the PA equivalent in United States dollar value to the amount of kyat transferred to the United Kingdom Escrow Account at the kyat/dollar exchange rate specified in the corresponding kyat Letters of Credit

then

in the event of a revaluation of the kyat, the State Commercial Bank will “break” the United Kingdom PL 480 Deposit Account on the day of such revaluation and thereafter no credit shall be made to the pre-revaluation account *except* the proceeds of any draft(s) negotiated by the designated bank in the United Kingdom under Letters of Credit opened by the State Commercial Bank prior to the date decided by the State Commercial Bank to apply the new rate of exchange. The PL 480 Deposit Account (pre-revaluation account) shall be dealt with so far as rates of exchange are concerned—kyat/dollar and kyat/sterling as outlined in (i) and (ii) above—at the rates of exchange in operation prior to revaluation. All transactions covered by sub-paragraph (a) above arising after revaluation and thereby adjusted to the new value or rate of exchange will be conducted by the State Commercial Bank through the United Kingdom PL 480 Deposit Account (post-revaluation).

4. In the event that the State Commercial Bank is compelled to effect a change in the rates of exchange consequent on a revaluation of the kyat during the operation of the Agreement, it will inform the Government of the United Kingdom of such change at least twenty-four hours before its actual application to transactions under the Agreement 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 the supply of cotton textiles and/or yarns.

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

Please accept, &c.,

R. H. S. ALLEN.

No. 4

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

Excellency,

Rangoon, January 20, 1959.

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

[As in No. 3.]

I have the honour to confirm the above understandings.

Please accept, &c.,

SEIN KYI.

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