

ANNEX E

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I. SETTLEMENT AMOUNT

In the interest of continued mutually beneficial relations between the Philippines and Iraq, the Philippine side and the Iraqi side have agreed that the final amount to be settled by the Philippine side relative to the State Organization for Roads and Bridges (SORB) claims (judicial and extra-judicial) under Contract Nos. R6A and R6B of the Iraq Express highway No. 1 dated August 26, 1980, including all guarantees/contracts executed pursuant thereto shall be TWENTY MILLION US DOLLARS (US\$20,000,000.00) .

II. SETTLEMENT SCHEME

Taking into consideration the good traditional relationship existing between the two countries, as well as their present economic situation, the two parties have agreed that the aforementioned amount shall be settled through the delivery of Philippine goods to Iraq (within the framework of the UN sanctions on Iraq) until the full payment of the agreed amount with the following priority products worth US Dollars Ten Million (US\$ 10,000,000.00):

1. Sugar
2. coconut oil

The Iraqi side shall notify the Philippine side of the appropriate manner for utilizing the remaining amount for Philippine goods, including medicines as mutuality agreed upon.

The prices for the Philippine goods to be supplied hereunder shall be on CIF Port of Umm Qasr basis as established between the appropriate Iraqi and Philippine companies based on competitive prevailing market prices for the said goods, each party committing itself to fully support the said companies to facilitate the conclusion of contracts necessary for full settlement of the agreed amount within the period of time established herein.

All contracts under this agreement shall be denominated in US DOLLARS. All other terms, specifications and conditions will be agreed upon in relevant contracts.

The Philippine side hereby undertakes to pay the Philippine companies concerned the full amount due them under relevant contracts for the goods. For this purpose, the Philippine side will issue the necessary implementing guidelines to Philippine offices/agencies concerned.

III. DESIGNATION OF IMPLEMENTING AGENCIES

The Philippine side hereby appoints the Philippine International Trading Corporation (PITC) as the agency/office that will implement the debt-for goods arrangements hereunder. PITC shall participate in the negotiations of terms and conditions of contracts relative to the export of Philippine goods to the Iraqi side and shall be responsible for the monitoring of these exports arrangements in coordination with the Bangko Sentral ng Pilipinas (BSP).

The Iraqi side shall, as soon after the signing of the agreed minutes of the Third Philippine-Iraq Joint Commission (the "Agreed Minutes"), designate and notify the Philippine side through the Iraqi Embassy in

Manila of the name/names of the Iraqi agency or office that will undertake and implement these arrangements with PITC. The Iraqi Embassy shall forthwith notify PITC of said designated Iraqi company.

IV. PERFORMANCE/DELIVERY PERIOD

The performance/delivery period for the Philippine goods to the Iraqi side shall commence as follows:

For sugar and coconut oil -

no later than 3 month from the date of signing of the relevant commercial contracts for these goods unless otherwise agreed by the contracting parties;

For the others goods -

No later than 6 months from the submission of the list of products as may be mutually agreed upon by the Philippine and Iraqi sides.

V. RECONCILIATION OF BALANCES

PITC and the designated Iraqi counterpart shall undertake the reconciliation of outstanding balances on a quarterly basis. In case, however, that the value of the Philippine goods delivered exceeds the agreed amount at the end of the performance/delivery period, the excess balance shall be subject of mutually acceptable transaction between the contracting parties.

VI. DISCHARGE OF CLAIMS

The Government of the Republic of the Philippines hereby undertakes to pay the sum of Twenty Million US Dollars (US\$20,000,000.00) for and in consideration of which the Government of the Republic of Iraq shall release PNCC and PNB from any and all liabilities arising from the claims of SORB against PNCC under Contract Nos. R6A and R6B of the Iraq Express Highway No. 1 dated 26 August 1980 including all guarantees issued pursuant thereto as well as liabilities arising from taxes, imposts, levy and/or assessments of any kind relative to the said contracts.

This settlement does not include the bank commission and other claims between the Rafidain Bank and the Philippine National Bank. The Government of the Republic of the Philippines shall encourage the Philippine National Bank to settle its pending issues with the Rafidain Bank.

VII. APPROVALS/EFFECTIVITY

These terms and conditions for settlement shall be binding and shall take effect upon signing of the Agreed Minutes subject to the approval hereof by the relevant government department/offices of both countries.

CONCLUDED and signed this 30th day of October 1994 in Manila, Philippines in two original copies in the English language, both texts being equally authentic.

FOR AND IN BEHALF OF
THE GOVERNMENT OF THE
REPUBLIC OF THE PHILIPPINES

FOR AND IN BEHALF OF
THE GOVERNMENT OF THE

REPUBLIC OF IRAQ

(Sgd.) FEDERICO M. MACARANAS

(Sgd.) SINAN ABDUL MALIK

Undersecretary
Department of Foreign Affairs

Undersecretary
Ministry of Housing and Construction

The above signatories have been given full power and authority by their respective governments to negotiate, sign and conclude this settlement agreement.

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