

INDONESIA

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Supplementary agreement signed at Djakarta 27 August 1966;

With Annex: Mechanics of Implementation of the Payments Arrangement covering the Trade Plan;

Entered into force provisionally 27 August 1966.

SUPPLEMENTARY AGREEMENT BETWEEN THE REPUBLIC OF INDONESIA AND THE REPUBLIC OF THE PHILIPPINES ADOPTING A MODIFIED PAYMENTS AGREEMENT AND ESTABLISHING A TRADE PLAN UNDER THE TRADE AGREEMENT BETWEEN THE TWO COUNTRIES

The Government of the Republic of Indonesia and the Government of the Republic of the Philippines, having reviewed the trade and commercial relations between the two countries since the signing of the Trade Agreement at Djakarta on May 27, 1963,[1] and desirous of attaining a higher level of trade and closer commercial relations between the two countries based on the principle of equality and mutual benefit, have agreed as follows:

1. All payments between the two countries, in respect to the trade plan established in the succeeding paragraph, shall be effected through a clearing account maintained in the books of the Central Banks of both countries with a swing balance of one million (US\$1,000,000,00) United States dollar. The amount of the swing balance may be increased or decreased by mutual agreement of the Central Banks of both countries. For this purpose, all contracts and invoices relating to the trade between Indonesia and the Philippines shall be expressed in United States dollars.
2. A trade plan, to be serviced through the payments agreement provided for in the preceding paragraph, is hereby established covering the commodities appearing in lists "A" and "B" annexed to the Trade Agreement signed on May 27, 1963, at Djakarta. Under this plan, the two Governments will exert efforts to the end that the value, included under the trade plan, of goods and services to be exported from the Republic of Indonesia may reach at least US\$5 million on an annual basis and, similarly, the value, included under the trade plan, of goods and services exported from the Republic of the Philippines may reach at least US\$5 million on an annual basis. In respect to the item "crude oil and other petroleum products", included in list "A", it is understood that only the value of crude oil and other petroleum products produced by the Republic of Indonesia's state oil company is included under the trade plan.
3. The provisions set forth in this Agreement shall come into force provisionally on the day of the signing of this Agreement. They will definitely come into force after an exchange of notes between the two Governments and shall be considered tacitly renewed for subsequent periods of one year unless previous notice in writing of termination is given by either party three {3} months before expiry date.

IN WITNESS WHEREOF the representatives duly authorized by their respective Governments have signed this Agreement.

Done and signed in two original copies, in the English language, in Djakarta, the 27th day of August, 1966.

For the Government of the Republic For the Government of the Republic

of the Philippines: of Indonesia:

MARCELO S. BALATBAT

MAJOR GEN. D. ASAHARI

Secretary of Commerce and Industry Minister of Trade and Chairman of
and Chairman of the Philippine Trade the Indonesian Economic and Trade
Mission to Indonesia Delegation

ANNEX

MECHANICS OF IMPLEMENTATION OF THE PAYMENTS ARRANGEMENT COVERING THE TRADE PLAN OF AUGUST 27, 1966.[*]

In further connection with the implementing agreement signed by the Central Bank of Indonesia and the Central Bank of the Philippines on August 27, 1966, the following mechanics of implementation have been agreed upon by the two central banks:

General Provisions

1. As used hereunder, the term trade plan refers to the trade plan provided for under the Supplementary Agreement signed at Djakarta on August 27, 1966, supplementing the Trade Agreement signed at Djakarta on May 27, 1963,[2] and the procedures outlined hereunder shall apply to transactions falling within the scope of such trade plan.
2. The Central Bank of the Philippines and the Central Bank of Indonesia are designated principal financing agent of the Philippines and Indonesia, respectively, with respect to the implementation of the trade plan between the two countries and each of said two central banks shall maintain on Its books clearing accounts to be denominated "Central Bank of Indonesia" and "Central Bank of the Philippines".
3. All trade transactions between the Philippines and Indonesia under the trade plan shall be invoiced in U.S. dollars and shall be financed exclusively by means of irrevocable letters of credit in terms of U.S. dollars.

Payments between the Central Bank of the Philippines and its authorized agent banks or between the Central Bank of Indonesia and its designated agent foreign exchange banks, shall be in their respective local currencies; while settlement between the Central Bank of the Philippines and the Central Bank of Indonesia shall be in U.S. dollars.

4. All letters of credit issued for trade transactions between the Philippines and Indonesia are subject to the Uniform Customs and Practice for Documentary Credits (1962 revision). The International Chamber of Commerce Brochure No. 222, provide that drawings at sight, be irrevocable, contain definite Shipping and expiry dates; and indicate such contract and permit numbers of other information as may be required by competent authorities of the participating countries concerned.

IMPORTS FROM INDONESIA TO THE PHILIPPINES

1. The importer in the Philippines will apply to an authorized agent bank of the Central Bank of the Philippines for a letter credit in U.S, dollars in favor of the shipper/seller in Indonesia.
2. The issuing authorized agent bank in the Philippines will advise the establishment of the letter of credit by cable or airmail to the Central Bank of Indonesia (or other designated foreign exchange bank in Indonesia).
3. The Central Bank of Indonesia (or other designated foreign exchange bank in Indonesia) will advise the beneficiary of the establishment of the letter of credit forwarding one copy for record purposes to the Central Bank of Indonesia.
4. The beneficiary of the letter of credit will present for negotiation the draft and necessary documents to the Central Bank of Indonesia (or other designated foreign exchange bank in Indonesia) and receive payment in rupiah.
5. The Central Bank of Indonesia (or other designated foreign exchange bank in Indonesia) will forward the draft and documents directly to the Philippine opening authorized agent bank concerned in accordance with the terms of the letter of credit, and shall advise the Central Bank of Indonesia of the draft amount and furnish to the said Bank all other necessary data to enable the Central Bank of Indonesia to pass the necessary entries in the Central Bank of the Philippines Account on its books, on the basis of which the negotiating foreign exchange bank will obtain reimbursement in rupiah from the Central Bank of Indonesia in accordance with such regulations as may be issued from time to time by competent authorities in Indonesia.
6. The importer in the Philippines shall make payment in pesos to the authorized agent bank which opened the letter of credit in accordance with banking procedure and the said authorized agent bank shall in turn pay the Central Bank of the Philippines the peso equivalent of the total dollar value of the importation calculated at the Central Bank's selling rate for demand drafts on New York. The Philippine authorized agent bank concerned must submit to the Central Bank of the Philippines necessary data and information to enable the Central Bank of the Philippines to pass the necessary entries in the the Central Bank of Indonesia Account on its books.

EXPORTS TO INDONESIA FROM THE PHILIPPINES

1. The Indonesian importer will apply to the Central Bank of Indonesia (or other designated foreign exchange bank in Indonesia) for the establishment of the necessary letter of credit in U.S. dollars in favor of the shipper/supplier in the Philippines.
2. The Central Bank of Indonesia (or other designated foreign exchange bank in Indonesia) will advise the establishment of the letter of credit by cable or airmail to an authorized agent bank of the Central Bank of the Philippines.
3. The authorized agent bank in the Philippines concerned will advise the beneficiary of the establishment of the letter of credit, forwarding a copy for record purposes to the Central Bank of the Philippines.
4. The beneficiary of the letter of credit will present for negotiation the draft and necessary documents to the authorized agent bank in the Philippines and receive payment in pesos.
5. The authorized agent bank in the Philippines will forward the draft and documents directly to the opening foreign exchange bank in Indonesia (Central Bank of Indonesia or other designated foreign exchange bank), and advise the Central Bank of the Philippines of the draft amount and furnish all other necessary data to the Central Bank to enable the Central Bank of the Philippines to pass the necessary entries in the Central Bank of Indonesia

Account on its books, on the basis of which the authorized agent bank concerned will obtain reimbursement in pesos from the Central Bank of the Philippines in accordance with such regulations as may from time to time be issued by the Central Bank of the Philippines.

6. The importer in Indonesia shall make payment in rupiah to the Central Bank of Indonesia (or other designated foreign exchange bank) which opened the letter of credit and the said bank shall in turn pay the Central Bank of Indonesia the rupiah equivalent of the total dollar value of the importation in accordance with such regulations as may from time to time be promulgated by competent authorities in Indonesia. The Central Bank of Indonesia (or other designated foreign exchange bank in Indonesia) shall furnish the Central Bank of Indonesia with necessary data to enable the Central Bank of Indonesia to pass the necessary entries in the Central Bank of the Philippines Account on its books.

CLEARING ACCOUNT

1. All trade transactions (inclusive of payments for services) between the Philippines and Indonesia under the trade plan shall be entered into clearing accounts maintained in the books of both the Central Bank of the Philippines and the Central Bank of Indonesia.
2. The value of all imports from Indonesia to the Philippines shall be debited against the account of the Philippines in the books of the Central Bank of Indonesia and credited to the account of Indonesia in the books of the Central Bank of the Philippines.
3. The value of all exports from the Philippines to Indonesia shall be debited against the account of Indonesia in the books of the Central Bank of the Philippines and credited to the account of the Philippines in the books of the Central Bank of Indonesia.
4. Each Central Bank shall advise the other daily by mail of the debit and credit entries in the respective accounts. Such advice shall indicate among others the name of the credit opening bank, L/C number and draft amount.
5. Statements of accounts as of the last day of each month shall be exchanged between the Central Bank of Indonesia and the Central Bank of the Philippines within the first week upon the end of every month. Notice of any discrepancy found by either of the central banks in the statements of accounts shall be served the other within ten days upon receipt of the monthly statement.

RECONCILIATION OF ACCOUNTS

For the purpose of effecting any payment between the two countries, debits and credits shall be offset against each other in the accounts maintained by both the Central Banks and payment shall be made of the reconciled balance determined in accordance with the following formula:

PER CENTRAL BANK OF THE PHILIPPINES STATEMENT

DR

CR

Balance per C.B.P. books

C.B.I, debit (C.B-P. does not credit)

(+)

C.B.P. credit (C.B.I, does not debit)

(-)

 Balance (Dr or Cr)

PER CENTRAL BANK OF INDONESIA STATEMENT

DR**CR**

Balance per C.B.I, books

CB.P. debit (C.B.I, does not credit)

(+)

C.B.I, credit (C.B.P. does not debit)

(-)

 Balance (Dr or Cr)

The foregoing formula gives effect to the debit balance in the books of both central banks, disregarding, in the meantime, float items not yet credited in the books of either central bank.

Done at Djakarta, August 27, 1966.

For the Central Bank of the Philippines: For the Central Bank of Indonesia:

(Sgd.) AMADO R. BRINAS

(Sgd.) BRIG. GEN. SUHARDI

Deputy Governor

Deputy Minister of Finance

Central Bank of the Philippines

Vice Governor, Bank Negara

Indonesia

[1]4 PTS 739

[*]Not annexed to the original Supplementary Agreement.

[1] Not published in PTS.

[2] 4 PTS 739.

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