

CANADA

TREATY SERIES, 1945

No. 28

FINANCIAL AGREEMENT

BETWEEN

CANADA AND THE NETHERLANDS

Signed at Ottawa, May 1, 1945

(Together with an Exchange of Notes)



OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY

1946

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**FINANCIAL AGREEMENT BETWEEN THE GOVERNMENT OF CANADA
AND THE GOVERNMENT OF THE NETHERLANDS.**

Signed at Ottawa, May 1, 1945

AGREEMENT ENTERED INTO THIS FIRST DAY OF MAY, 1945,

BETWEEN:

THE MINISTER OF FINANCE OF CANADA,
hereinafter referred to as "the Minister",
OF THE FIRST PART,

AND

THE GOVERNMENT OF THE NETHERLANDS,
represented by its Minister Plenipotentiary to Canada,
Jonkheer J. W. M. Snouck Hurgronje,
OF THE SECOND PART:

WHEREAS the Government of the Netherlands has requested the Government of Canada to make a loan to the Government of the Netherlands to enable the said Government to purchase Canadian produced goods for export to the Netherlands; and

WHEREAS by Order in Council P.C. 3169 dated 1st day of May, 1945, the Minister has been duly authorized under The Export Credits Insurance Act, Chapter 39 of the Statutes of Canada, 1944, to make the loans hereinafter referred to, on behalf of the Government of Canada; and

WHEREAS the Minister Plenipotentiary of the Netherlands to Canada, Jonkheer J. W. M. Snouck Hurgronje, has been duly authorized by the Government of the Netherlands to execute this agreement on behalf of the Government of the Netherlands.

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the undertaking by the Government of the Netherlands to utilize the proceeds of the loan hereinafter provided to pay the cost of Canadian-produced goods purchased from exporters in Canada for export to the Netherlands, and of the mutual covenants hereinafter contained, it is hereby agreed as follows:

1. The Government of Canada acting through the Minister agrees to give to the Government of the Netherlands credit, on the terms and subject to the conditions hereinafter specified, in the amount of TWENTY-FIVE MILION DOLLARS (\$25,000,000), Canadian, to enable the Government of the Netherlands to pay the cost of Canadian-produced goods to be purchased from exporters in Canada and exported to the Netherlands.

2. The Minister agrees to make the necessary arrangements with the Bank of Canada to open a special account in favour of the Government of the Netherlands and to pay into the said account from time to time, as may be mutually agreed upon, amounts which are requisitioned by the Government of the Netherlands to pay the cost of goods purchased or to be purchased in Canada, the total of amounts so requisitioned not to exceed TWENTY-FIVE MILLION DOLLARS (\$25,000,000), Canadian.

3. The Government of the Netherlands agrees to utilize the amounts of the said credit which are requisitioned pursuant to paragraph 2 of this agreement in purchasing Canadian-produced goods from Canadian producers.

4. The Government of the Netherlands agrees to pay interest at the rate of two and one-quarter per centum per annum on each amount paid by the Minister into the said special account from the date when it is paid into the said special account until the date of consolidation of that particular amount of the debt into a consolidated debt to be evidenced by bonds of the Government of the Netherlands as provided for in paragraph 5 or 6 of this agreement.

5. The Government of the Netherlands agrees that, with respect to amounts paid by the Minister into the said special account during the twelve months period commencing on the date of the execution of this agreement, there shall be a consolidation of the said amounts, and interest thereon as provided in paragraph 4 of this agreement, at the end of the said twelve months period and the Government of the Netherlands shall thereupon acknowledge such consolidated debt by delivery to the Minister of bonds of a face value equal to such consolidated debt which bonds shall constitute valid, binding, absolute and unconditional obligations of the Government of the Netherlands; the said bonds shall bear interest at the rate of two and one-quarter per centum per annum, payable semi-annually on the first day of January and the first day of July, and shall be for terms of $4\frac{1}{2}$ years, 5 years, $5\frac{1}{2}$ years, 6 years, $6\frac{1}{2}$ years, 7 years, $7\frac{1}{2}$ years, 8 years, $8\frac{1}{2}$ years and 9 years, as follows:

10% of the consolidated debt shall be evidenced by $4\frac{1}{2}$ year bonds maturing at the end of $5\frac{1}{2}$ years from the date of execution of this agreement;

10% of the consolidated debt shall be evidenced by 5 year bonds maturing at the end of 6 years from the date of execution of this agreement;

10% of the consolidated debt shall be evidenced by $5\frac{1}{2}$ year bonds maturing at the end of $6\frac{1}{2}$ years from the date of execution of this agreement;

10% of the consolidated debt shall be evidenced by 6 year bonds maturing at the end of 7 years from the date of execution of this agreement;

10% of the consolidated debt shall be evidenced by $6\frac{1}{2}$ year bonds maturing at the end of $7\frac{1}{2}$ years from the date of execution of this agreement;

10% of the consolidated debt shall be evidenced by 7 year bonds maturing at the end of 8 years from the date of execution of this agreement;

10% of the consolidated debt shall be evidenced by $7\frac{1}{2}$ year bonds maturing at the end of $8\frac{1}{2}$ years from the date of execution of this agreement;

10% of the consolidated debt shall be evidenced by 8 year bonds maturing at the end of 9 years from the date of execution of this agreement;

10% of the consolidated debt shall be evidenced by $8\frac{1}{2}$ year bonds maturing at the end of $9\frac{1}{2}$ years from the date of execution of this agreement;

10% of the consolidated debt shall be evidenced by 9 year bonds maturing at the end of 10 years from the date of execution of this agreement.

6. The Government of the Netherlands agrees that, with respect to amounts paid by the Minister into the said special account during the twelve months period commencing one year from the date of execution of this agreement, there shall be a consolidation of the amounts so paid, and interest thereon as provided for in paragraph 4 of this agreement, at the end of the said twelve months period and the Government of the Netherlands shall thereupon acknowledge such consolidated debt by delivery to the Minister of bonds of a face value equal to such consolidated debt which bonds shall constitute valid, binding, absolute and unconditional obligations of the Government of the Netherlands; the bonds shall bear interest at the rate of two and one-quarter per centum per annum payable semi-annually on the first day of January and the first day of July and shall be for such terms as will result in 10% of the bonds maturing respectively at the end of 5½ years, 6 years, 6½ years, 7 years, 7½ years, 8 years, 8½ years, 9 years, 9½ years and 10 years from the date of execution of this agreement.

7. Any portion of the credit of TWENTY-FIVE MILLION DOLLARS (\$25,000,000), Canadian, which has not been requisitioned by the Government of the Netherlands and paid by the Minister into the special account in the Bank of Canada pursuant to paragraph 2 of this agreement at the end of two years from the date of execution of this agreement shall be deemed to have lapsed and be no longer payable by the Minister, unless the Parties hereto mutually agree otherwise.

8. It is mutually agreed by the Parties hereto that if the Government of the Netherlands fails to acknowledge the consolidated debt at the end of any of the periods referred to in paragraph 5 or 6 of this agreement, or fails to redeem any of the bonds on maturity, the whole amount of the loan shall thereupon become due and payable.

9. It is mutually agreed by the Parties hereto that payments by the Government of the Netherlands shall be in Canadian dollars or fine gold at the option of the Government of the Netherlands. The value of fine gold shall be calculated on the basis of the buying price for gold of the Canadian Foreign Exchange Control Board (or successor agency) on the day of its delivery. During such period as foreign exchange regulations in Canada require that exports from Canada to the Netherlands result in the sale of a specified foreign currency to an Authorized Dealer of the Foreign Exchange Control Board (or successor agency) and permit Canadian importers of goods from the Netherlands to make payment therefor in such specified foreign currency, any Canadian dollars used by the Government of the Netherlands to effect payments under this agreement shall be acquired by the sale through an Authorized Dealer of the Canadian Foreign Exchange Control Board (or successor agency) of such specified foreign currency at the published official buying rate, or in such other manner as may be mutually agreed upon by the Government of the Netherlands and the Minister.

10. The Minister agrees that the Government of the Netherlands shall have the right to redeem any or all of the bonds prior to their maturities at par plus accrued interest if the Government of the Netherlands tenders payment in fine gold or Canadian dollars acquired in the manner provided by paragraph 9 of this agreement.

WITNESS:

W. C. CLARK

R. B. BRYCE

J. L. ILSLEY,
Minister of Finance for Canada.

SNOUCK HURGRONJE,
For the Government of the Netherlands.

APPENDIX

EXCHANGE OF NOTES (MAY 1 AND JUNE 2, 1945) BETWEEN
CANADA AND THE NETHERLANDS RELATING TO THE FINANCIAL
AGREEMENT SIGNED FOR THEM AT OTTAWA, MAY 1, 1945.

I

*The Canadian Minister of Finance
to the Minister for the Netherlands*

OTTAWA, 1st May, 1945.

DEAR SIR,

In signing the agreement with you, dated to-day's date, for the provision of credit of \$25 million to the Government of the Netherlands under the Export Credits Insurance Act, I desire to place on record our understanding regarding our intention to proceed subsequently with a further agreement to provide credits of a similar character and also our understanding regarding the purchases which the Netherlands will make in Canada to be financed in other ways.

In requesting a credit which has been furnished under the above-mentioned agreement, you asked originally for a total credit of \$85 million to be provided over a period of five years. Unfortunately, our legislation does not permit us to enter into an agreement for as long a period as this nor permit the Government at present to provide a credit of this magnitude. I wish to assure you, however, that it is the intention of the Canadian Government that a second agreement should be entered into with your Government to provide an additional credit of \$60 million to be available to your Government over a total period of five years from the date of the first agreement, with the same rate of interest and dates of repayment as are stipulated in the agreement now signed. It is our intention that this second agreement be made as soon as the necessary amendments in the legislation are enacted by the Canadian Parliament. I understand it is also the intention of your Government to enter into such a further agreement as soon as our legislation is amended to make this possible.

I wish also to record that it is our understanding that if, owing to unforeseen difficulties, it should unhappily prove to be impossible to conclude a second credit agreement along the lines indicated in the paragraph above, your Government will be prepared to amend the agreement bearing to-day's date, to provide that the rate of interest payable on the credits obtained under that agreement will be $2\frac{1}{2}\%$ rather than $2\frac{1}{4}\%$, as is now provided.

I wish also to record that I am prepared to agree to the redemption under paragraph 10 of the agreement of the bonds to be given in accordance with the agreement, out of any Canadian dollars accruing to the Government of the Netherlands from current account transactions between the Netherlands and Canada and from the sale of Canadian securities held by residents of the Netherlands, as authorized, during the period in question, by the Foreign Exchange Control Board (or successor agency).

I wish also to note that it is the intention of the two Governments that a certain proportion of the Canadian dollar requirements of the Netherlands shall be covered by the purchase from Canada of Canadian dollars against gold or foreign exchange convertible into gold. To implement this intention, the following procedure is to be followed:

Two years after the date of the agreement which has now been signed, the amount of credit then outstanding under this agreement and the second agreement to be negotiated shall be determined; and the Netherlands Government shall within the subsequent twelve months acquire Canadian dollars by the sale to Canada of gold or foreign exchange convertible into gold in an amount not less than 20% of the credit then outstanding, after deducting Canadian dollars already acquired after April 1, 1945, by the Netherlands Government through the sale to Canada of gold or foreign exchange convertible into gold. At the end of each quarter year commencing on or after May 1, 1947, the Netherlands Government will acquire Canadian dollars in the same manner and in amounts bearing the same proportion to the amount of the credit employed during that quarter.

I would appreciate it if you could confirm the understandings set forth above.

Yours very truly,

J L. ILSLEY,
Canadian Minister of Finance.

II

*The Minister for the Netherlands
to the Canadian Minister of Finance*

OTTAWA, June 2, 1945.

No. 785

DEAR SIR,

Referring to your letter of May 1 concerning the credit agreement concluded by our respective Governments and signed on May 1 by you and me, I have the honour to inform you that my Government has advised me that it entirely agrees to the understandings set forth in your letter referred to above.

Yours sincerely,

SNOUCK HURGRONJE,
*Minister Plenipotentiary
for the Netherlands.*

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