

CANADA

TREATY SERIES, 1945

No. 31

FINANCIAL AGREEMENT

BETWEEN

CANADA

AND THE

NETHERLANDS INDIES

Signed at Ottawa, October 9, 1945

(With an Exchange of Notes)



OTTAWA  
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TREATY SERIES 1913

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CANADA

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(With an Exchange of Notes)



OTTAWA  
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**FINANCIAL AGREEMENT BETWEEN THE GOVERNMENT OF CANADA  
AND THE GOVERNMENT OF THE NETHERLANDS INDIES**

Signed at Ottawa, October 9, 1945

AGREEMENT ENTERED INTO THIS 9th DAY OF OCTOBER 1945

BETWEEN:

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

*Of the First Part,*

AND

*THE BANK FOR THE NETHERLANDS INDIES,*  
a body corporate with its Head Office in Paramaribo, Surinam, being an  
agency of the Government of the Netherlands Indies,

*Of the Second Part:*

WHEREAS the Government of the Netherlands Indies has requested the Government of Canada to make a loan to the said Bank, being an agency of the Government of the Netherlands Indies to enable the said Bank to provide funds to the said Government to enable it to purchase Canadian-produced goods for export to the Netherlands Indies, and the Government of the Netherlands Indies has guaranteed all the obligations of the said Bank and has declared to the Government of Canada that such guarantee applies to the loan hereinafter provided; and

WHEREAS the Government of the Netherlands Indies has undertaken to the Government of Canada that the proceeds of the loan made available to it by the said Bank will be utilized only to pay the cost of Canadian-produced goods to be purchased from Canadian producers; and

WHEREAS by Order in Council P.C. 6381 dated Oct. 4, 1945, the Minister has been duly authorized under The Export Credits Insurance Act, Chapter 39 of the Statutes of Canada, 1944, to make the loan hereinafter referred to, on behalf of the Government of Canada; and

WHEREAS J. Hoven and B. J. Israel have been duly authorized by the said Bank to execute this agreement in behalf of the said Bank.

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the undertaking by the Bank for the Netherlands Indies to make available the proceeds of the loan to the Government of the Netherlands Indies to pay the cost of Canadian-produced goods purchased from exporters in Canada for export to the Netherlands Indies, 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 Bank for the Netherlands Indies credit, on the terms and subject to the conditions hereinafter specified, in the amount of Fifteen Million Dollars (\$15,000,000) Canadian, to enable the Bank for the Netherlands Indies to make available the proceeds of the loan to the Government of the Netherlands Indies, to pay the cost of Canadian-produced goods to be purchased from exporters in Canada and exported to the Netherlands Indies.



2. The Minister agrees to make the necessary arrangements with the Bank of Canada to open a special account in favour of the Bank for the Netherlands Indies and to pay into the said account from time to time, as may be mutually agreed upon, amounts which are requisitioned by the Bank for the Netherlands Indies to pay the cost of goods purchased or to be purchased in Canada, the total of amounts so requisitioned not to exceed Fifteen Million Dollars, Canadian.

3. The Bank for the Netherlands Indies agrees to make available to the Government of the Netherlands Indies the amounts of the said credit which are requisitioned pursuant to paragraph 2 of this agreement to enable the said Government to purchase Canadian-produced goods from Canadian exporters.

4. The Bank for the Netherlands Indies 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 Bank for the Netherlands Indies as provided for in paragraphs 5 or 6 of this agreement.

5. The Bank for the Netherlands Indies 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 Bank for the Netherlands Indies 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 Bank for the Netherlands Indies; 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 4½ years, 5 years, 5½ years, 6 years, 6½ years, 7 years, 7½ years, 8 years, 8½ years and 9 years, as follows:—

- 10% of the consolidated debt shall be evidenced by 4½ year bonds maturing at the end of 5½ 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 5½ year bonds maturing at the end of 6½ 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 6½ year bonds maturing at the end of 7½ 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 7½ year bonds maturing at the end of 8½ 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 8½ year bonds maturing at the end of 9½ 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 Bank for the Netherlands Indies 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 Bank for the Netherlands Indies 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 Bank for the Netherlands Indies; 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 Fifteen Million Dollars (\$15,000,000) Canadian, which has not been requisitioned by the Bank for the Netherlands Indies 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 Bank for the Netherlands Indies fails to acknowledge the consolidated debt as provided for in paragraphs 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 Bank for the Netherlands Indies shall be in Canadian dollars or fine gold at the option of the Bank for the Netherlands Indies. 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 Indies 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 Indies to make payment therefor in such specified foreign currency, any Canadian dollars used by the Bank for the Netherlands Indies 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 Bank for the Netherlands Indies and the Minister.



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

Witness:

A. L. WICKWIRE.

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

H. D. SCULLY,  
*Consul General of Canada in New York. For the Bank for the Netherlands Indies.*

J. HOVEN,

H. D. SCULLY,  
*Consul General of Canada in New York. For the Bank for the Netherlands Indies.*

B. J. ISRAEL,



## APPENDIX

**EXCHANGE OF NOTES (OCTOBER 9 AND 18, 1945) BETWEEN CANADA  
AND THE NETHERLANDS INDIES RELATING TO THE FINANCIAL  
AGREEMENT SIGNED FOR THEM ON OCTOBER 9, 1945**

## I

*The Canadian Minister of Finance to the Vice-Chairman of the Board for the  
Netherlands Indies, Surinam and Curacao*

OTTAWA, October 9, 1945.

Dear SIR,—In signing the agreement with you dated today's date for the provision of a credit of fifteen million, under the Export Credits Insurance Act, to the Bank for the Netherlands Indies, being an agency of the Government of the Netherlands Indies, 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 Indies 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 amount of \$65 million, to be provided over a period of 5 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 the Bank for the Netherlands Indies to provide an additional credit of fifty million to be available to the Bank over a total period of 5 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 and the Bank for the Netherlands Indies that such a further agreement will be entered into 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 agreement along the lines indicated in the preceding paragraph, your Government and the Bank for the Netherlands Indies will be prepared to amend the agreement bearing today'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 Indies from current account transactions between the Netherlands Indies and Canada and from the sale of Canadian securities held by residents of the Netherlands Indies, 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 Indies shall be covered by the purchase from Canada of Canadian dollars against gold or foreign exchange convertible into gold. To implement this intention, it is understood that the Government of the Netherlands Indies, through the Bank for the Netherlands Indies, will, at the end of each quarter year commencing on or after today's date during which the credits referred to in this letter are drawn upon, 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 amount of credit drawn during each such quarter year, after deducting Canadian dollars already acquired after the 9th of October, 1945, by the Government of the Netherlands Indies through the Bank for the Netherlands Indies through the sale of gold or foreign exchange convertible into gold. It is also understood that the Canadian dollars so acquired will be used either to meet the current requirements of the Netherlands Indies in Canada or to make repayments of the credits or to redeem the bonds provided for under the agreement dated today or the subsequent agreement referred to in this letter.

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

Yours very truly,

J. L. ILSLEY,

*Canadian Minister of Finance.*

## II

*The Vice-Chairman of the Board for the Netherlands Indies, Surinam and Curacao to the Canadian Minister of Finance*

NEW YORK, October 18, 1945.

Dear Sir,—I have the honour to acknowledge receipt of your note of October 9, 1945, containing the following communication:—

In requesting a credit, which has been furnished under the above mentioned agreement, you asked originally for a total amount of \$65 million, to be provided over a period of 5 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 the Bank for the Netherlands Indies to provide an additional credit of fifty million to be available to the Bank over a total period of 5 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 and the Bank for the Netherlands Indies that such a further agreement will be entered into 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 agreement along the lines indicated in the preceding paragraph, your Government and the Bank for the Netherlands Indies



will be prepared to amend the agreement bearing today'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 Indies from current account transactions between the Netherlands Indies and Canada and from the sale of Canadian securities held by residents of the Netherlands Indies, 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 Indies shall be covered by the purchase from Canada of Canadian dollars against gold or foreign exchange convertible into gold. To implement this intention, it is understood that the Government of the Netherlands Indies, through the Bank for the Netherlands Indies, will, at the end of each quarter year commencing on or after today's date during which the credits referred to in this letter are drawn upon, 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 amount of credit drawn during each such quarter year, after deducting Canadian dollars already acquired after the 9th of October, 1945, by the Government of the Netherlands Indies through the Bank for the Netherlands Indies through the sale of gold or foreign exchange convertible into gold. It is also understood that the Canadian dollars so acquired will be used either to meet the current requirements of the Netherlands Indies in Canada or to make repayments of the credits or to redeem the bonds provided for under the agreement dated today or the subsequent agreement referred to in this letter.

In reply I have the honour to confirm on behalf of the Government of the Netherlands Indies, the understandings set forth in your note.

Yours very truly,

E. C. ZIMMERMAN,  
*Vice-Chairman of the Board for the Netherlands Indies,  
Surinam and Curacao.*

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