

No. 8882

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
REPUBLIC OF CHINA

Loan Agreement—*Second Deep-Sea Fisheries Project* (with
annexed Loan Regulations No. 3, as amended). Signed
at Washington, on 14 June 1967

Official text: English.

*Registered by the International Bank for Reconstruction and Development on
29 December 1967.*

BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
RÉPUBLIQUE DE CHINE

Contrat d'emprunt — *Deuxième projet relatif à la pêche
hauturière* (avec, en annexe, le Règlement n° 3 sur
les emprunts, tel qu'il a été modifié). Signé à
Washington, le 14 juin 1967

Texte officiel anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développe-
ment le 29 décembre 1967.*

No. 8882. LOAN AGREEMENT¹ (*SECOND DEEP-SEA FISHERIES PROJECT*) BETWEEN THE REPUBLIC OF CHINA AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 14 JUNE 1967

AGREEMENT, dated June 14, 1967, between REPUBLIC OF CHINA (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

Article I

LOAN REGULATIONS ; SPECIAL DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 3 of the Bank dated February 15, 1961, as amended February 9, 1967,² (said Loan Regulations No. 3 being hereinafter called the Loan Regulations) with the same force and effect as if they were fully set forth herein.

Section 1.02. Unless the context otherwise requires, the following terms wherever used in this Loan Agreement have the following meanings :

(a) The term " Land Bank " means the Land Bank of Taiwan.

(b) The term " Fisheries Bureau " means the Taiwan Fisheries Bureau, an agency of the Taiwan Provincial Government.

(c) The term " Beneficiary Enterprise " means any fishing enterprise to which the Borrower shall, pursuant to this Agreement, make available or agree to make available any portion of the Loan for carrying out the Project.

(d) The term " Specific Project " means an individual fisheries project to be carried out by a Beneficiary Enterprise and to be financed out of the proceeds of the Loan.

(e) The term " Subsidiary Loan Agreement " means any agreement between the Borrower and any one of the Beneficiary Enterprises referred to in Section 5.02 of this Agreement.

¹ Came into force on 8 August 1967, upon notification by the Bank to the Government of the Republic of China.

² See p. 264 of this volume.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Loan Agreement set forth or referred to, an amount in various currencies equivalent to fourteen million four hundred thousand dollars (\$14,400,000).

Section 2.02. The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Loan Agreement.

Section 2.03. The Borrower shall pay to the Bank a commitment charge at the rate of three-eighths of one per cent ($\frac{3}{8}$ of 1 %) per annum on the principal amount of the Loan not so withdrawn from time to time.

Section 2.04. The Borrower shall pay interest at the rate of six per cent (6 %) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.05. Except as the Borrower and the Bank shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ($\frac{1}{2}$ of 1 %) per annum on the principal amount of any such special commitments outstanding from time to time.

Section 2.06. Interest and other charges shall be payable semi-annually on February 1 and August 1 in each year.

Section 2.07. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1 to this Agreement.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied exclusively to financing the cost of goods required to carry out the Project described in Schedule 2 to this Agreement. The specific goods to be financed out of the proceeds of the Loan and the methods and procedures for procurement of such goods shall be determined by agreement between the Borrower and the Bank, subject to modification by further agreement between them.

Section 3.02. Except as the Borrower and the Bank shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Loan to be used exclusively for the purposes of deep-sea fishing conducted under the flag of the Borrower in the ordinary course of business of the Beneficiary Enterprises.

Section 3.03. Except as the Borrower and the Bank shall otherwise agree, no withdrawals shall be made on account of expenditures made for any Specific Project unless and until the Bank shall have notified the Borrower in writing of the approval, by the Bank, of the Beneficiary Enterprise selected to carry out such Specific Project.

Section 3.04. Whenever the Borrower shall, for the purpose of Section 3.03 of this Agreement, request the Bank to approve a Beneficiary Enterprise for a Specific Project, the Borrower shall submit to the Bank an application, in form satisfactory to the Bank, containing a description of such Beneficiary Enterprise and such Specific Project together with a copy of the draft Subsidiary Loan Agreement to be entered into between the Borrower and such Beneficiary Enterprise, and such other information as the Bank shall reasonably request.

Article IV

BONDS

Section 4.01. The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

Section 4.02. The Minister of Finance of the Borrower and such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 of the Loan Regulations.

Article V

PARTICULAR COVENANTS

Section 5.01. The Borrower shall carry out the Project, or cause the Project to be carried out, with due diligence and efficiency and in conformity with sound financial, maritime and fisheries practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

Section 5.02. (a) The Borrower shall relend the proceeds of the Loan to Beneficiary Enterprises satisfactory to the Bank under Subsidiary Loan Agreements satisfactory to the Bank. Such Subsidiary Loan Agreements shall

contain terms whereby the Borrower shall obtain rights adequate to protect the interest of the Borrower and the Bank, including :

- (i) the right to require that the Specific Projects be carried out and operated by the Beneficiary Enterprises with due diligence and efficiency and in keeping with the construction standards of the China Corporation Register of Shipping and in accordance with sound financial, maritime and fisheries practices, including the maintenance of records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Specific Projects, to record the progress of the Specific Projects (including the cost thereof) and to record the financial condition and operations of the Beneficiary Enterprises ;
- (ii) the right to require that the goods to be financed with the proceeds of the Loan be used exclusively in the carrying out of the Specific Projects ;
- (iii) the right to obtain, promptly upon their preparation, the designs, specifications and construction schedules for the Specific Projects and any material modifications subsequently made therein, in such detail as the Borrower shall from time to time request ;
- (iv) the right of the Borrower and the Bank to inspect the goods, works and construction included in the Specific Projects, the operation thereof and any relevant records and documents ;
- (v) the right to require that the Beneficiary Enterprises shall take out and maintain with responsible insurers or make other provision satisfactory to the Borrower and the Bank for insurance against such risks and in such amount as shall be consistent with sound commercial and maritime practices and that any indemnity shall be payable in a currency freely usable by the Beneficiary Enterprises to replace or repair such goods ;
- (vi) the right to obtain all such information as the Borrower and the Bank shall reasonably request relating to the foregoing Subsections and to the administration, financial condition and operations of the Beneficiary Enterprises ;
- (vii) the right to receive from the Beneficiary Enterprises, as security for its advances to the Beneficiary Enterprises under the respective Subsidiary Loan Agreements, such mortgages on the goods to be financed

with the proceeds of the Loan and other liens as may be consistent with sound business practices ;

(viii) the right to require that any Beneficiary Enterprise whose total sales revenue in any calendar year from a Specific Project exceeds an amount, to be agreed upon from time to time between the Borrower and the Bank, shall, unless the Borrower and the Bank otherwise agree, repay in advance of maturity a portion of its loan under a Subsidiary Loan Agreement equal to a percentage, to be agreed upon from time to time between the Borrower and the Bank, of the sum in excess of such agreed amount ; and

(ix) all such other rights as a prudent lender would request, such rights to include appropriate provision whereby further access by a Beneficiary Enterprise to the use of the proceeds of the Loan may be suspended or terminated by the Borrower, or that the Borrower may pre-mature its loan to a Beneficiary Enterprise, upon failure of such Beneficiary Enterprise to carry out the terms of the Subsidiary Loan Agreement to which it is a party.

(b) The Borrower shall promptly and effectively exercise every power, right and recourse available to it to cause the Beneficiary Enterprises punctually to perform all their obligations under the respective Subsidiary Loan Agreements and generally to protect the interests of the Borrower and the Bank ; provided, however, that the Borrower shall not take any action that might interfere with the carrying out of the Specific Projects or the conduct of the Beneficiary Enterprises' affairs and operations in accordance with sound financial, maritime and fisheries practices.

(c) Except as the Bank shall otherwise agree, the Borrower shall not amend, assign, abrogate or waive any provision of any of the Subsidiary Loan Agreements.

Section 5.03. Except as the Borrower and the Bank shall otherwise agree, the Borrower : (i) shall cause the Land Bank to select, in agreement with the Fisheries Bureau, the Beneficiary Enterprises that will be referred to the Bank for approval under Sections 3.03 and 3.04 of this Agreement, and to execute and administer the Subsidiary Loan Agreements on behalf of the Borrower ; (ii) shall at all times maintain arrangements, satisfactory to the Bank, with the Taiwan Provincial Government to cause the Fisheries Bureau to render technical services with respect to the carrying out of the Project ; and (iii) shall cause the Fisheries Bureau, in agreement with the Land Bank, to assure that the designs and specifications for the Specific

Projects shall meet the full standards of the China Corporation Register of Shipping.

Section 5.04. (a) The Borrower shall furnish or cause the Land Bank to furnish to the Bank, promptly upon their preparation, the designs, specifications and construction schedules for the Specific Projects and any material modifications subsequently made therein, in such detail as the Bank shall from time to time request.

(b) The Borrower shall maintain, or cause the Land Bank to maintain, records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Specific Projects, to record the progress of the Specific Projects (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of each of the Beneficiary Enterprises; shall enable the Bank's representatives to inspect the properties and operations of each of the Beneficiary Enterprises, including the goods and construction included in the respective Specific Project, the operations thereof and any relevant records and documents; and shall furnish, or cause to be furnished, to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the Specific Projects, the goods, and the operations and financial condition of each of the Beneficiary Enterprises and the Land Bank.

Section 5.05. (a) The Borrower and the Bank shall cooperate fully to assure that the purpose of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as shall be reasonably requested with regard to the general status of the Loan. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(b) The Borrower and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Borrower shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Borrower for purposes related to the Loan.

Section 5.06. It is the mutual intention of the Borrower and the Bank that to the extent that any Beneficiary Enterprise shall prepay to the Borrower

its indebtedness under the Subsidiary Loan Agreement to which it is a party, the Borrower shall to an equivalent extent prepay the Bank under this Agreement. Accordingly, unless otherwise agreed between the Borrower and the Bank : (i) if any Beneficiary Enterprise shall repay in advance of maturity any part of its indebtedness to the Borrower under the Subsidiary Loan Agreement to which it is a party, then the Borrower shall thereupon repay to the Bank, in advance of maturity, an equivalent amount of the Loan ; or (ii) if the Borrower should receive any amount of insurance due on account of goods financed out of the proceeds of the Loan in accordance with a Subsidiary Loan Agreement and if said amount should not be promptly applied to the carrying out of the respective Specific Project, then the Borrower shall thereupon repay to the Bank, in advance of maturity, an amount equivalent to the amount not so applied but not in excess of the Loan outstanding under the respective Subsidiary Loan Agreement. All the provisions of the Loan Regulations relating to repayment in advance of maturity shall be applicable to any repayment by the Borrower in accordance with this Section ; provided, however, that any amount of the Loan to be repaid pursuant to the foregoing provisions of this Section which cannot be applied to the payment of an entire maturity may, notwithstanding the provisions of Section 2.05 (b) of the Loan Regulations, be applied to the payment of a part of a maturity only.

Section 5.07. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from any taxes, and free from all restrictions, imposed under the laws of the Borrower or laws in effect in its territories ; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Borrower.

Section 5.08. The Loan Agreement and the Bonds shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof, and the Borrower shall pay all such taxes, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries.

Section 5.09. It is the mutual intention of the Borrower and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any external debt, such lien will *ipso*

facto equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect ; provided, however, that the foregoing provisions of this Section shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property ; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term “ assets of the Borrower ” as used in this Section includes assets of the Borrower or of any of its political subdivisions or of any agency of the Borrower or of any such political subdivision, including the Central Bank of China or any other institution performing the functions of a central bank.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a) or paragraph (b) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days ; or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Loan Agreement or in the Bonds to the contrary notwithstanding.

Article VII

EFFECTIVE DATE ; TERMINATION

Section 7.01. The following event is specified as an additional condition to the effectiveness of this Loan Agreement within the meaning of Section 9.01 (b) of the Loan Regulations, namely, that the Borrower and the Taiwan Provincial Government have made arrangements, satisfactory to the Bank, to cause the Fisheries Bureau to render technical services with respect to the carrying out of the Project, and that such arrangements have become effective in accordance with their terms.

Section 7.02. The following is specified as an additional matter, within the meaning of Section 9.02 (c) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank, namely, that the arrange-

ments referred to in Section 7.01 of this Agreement have been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and the Taiwan Provincial Government and constitute valid and binding obligations of each of the parties thereto in accordance with their terms.

Section 7.03. The date of August 15, 1967 is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be June 30, 1970, or such other date as may from time to time be agreed between the Borrower and the Bank.

Section 8.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower :

Ministry of Finance
Taipei
Taiwan, China

Alternative address for cablegrams and radiograms :

Chifinance
Taipei

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D.C.

Section 8.03. The Minister of Finance of the Borrower is designated for the purposes of Section 8.03 of the Loan Regulations.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

Republic of China :

By Martin WONG
Authorized Representative

International Bank for Reconstruction and Development :

By J. Burke KNAPP
Vice President

SCHEDULE 1

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
August 1, 1970	\$420,000	August 1, 1976	\$595,000
February 1, 1971	430,000	February 1, 1977	615,000
August 1, 1971	445,000	August 1, 1977	635,000
February 1, 1972	455,000	February 1, 1978	650,000
August 1, 1972	470,000	August 1, 1978	670,000
February 1, 1973	485,000	February 1, 1979	690,000
August 1, 1973	500,000	August 1, 1979	710,000
February 1, 1974	515,000	February 1, 1980	735,000
August 1, 1974	530,000	August 1, 1980	755,000
February 1, 1975	545,000	February 1, 1981	780,000
August 1, 1975	560,000	August 1, 1981	800,000
February 1, 1976	580,000	February 1, 1982	830,000

* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations :

<i>Time of Prepayment or Redemption</i>	<i>Premiums</i>
Not more than three years before maturity.....	1/2%
More than three years but not more than six years before maturity.....	21/4%
More than six years but not more than eleven years before maturity....	3 1/2%
More than eleven years but not more than thirteen years before maturity	5%
More than thirteen years before maturity.....	6%

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project consists of :

- A. The construction, outfitting and operation of twenty 250 ton class tuna longliner and four 1,500 ton class stern trawler deep-sea fishing vessels of modern design suitable for year round operations in any ocean. The equipment of each vessel shall include adequate modern fish detection and navigation aids. It is expected that construction and outfitting of the vessels will be completed within thirty-six months from the date of this Loan Agreement.
- B. The provision of technical advice to the Beneficiary Enterprises in order to assure the efficient carrying out of the Project.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 3, DATED 15 FEBRUARY 1961,
AS AMENDED 9 FEBRUARY 1967

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER GOVERNMENTS

[*Not published herein. See p. 98 of this volume.*]