

**AGREEMENT BETWEEN
THE AMERICAN INSTITUTE IN TAIWAN
AND
THE TAIPEI ECONOMIC AND CULTURAL REPRESENTATIVE OFFICE
FOR
FOREIGN MILITARY SALES FINANCING BY THE AUTHORITIES ON TAIWAN**

This Agreement ("AIT/TECRO Agreement") is made by and between the American Institute in Taiwan (hereinafter referred to as "AIT") and the Taipei Economic and Cultural Representative Office ("TECRO"). This Agreement is entered into pursuant to the Taiwan Relations Act (P.L. 96-8, April 10, 1979; 22 U.S.C. 3301 et. seq.).

WHEREAS, TECRO, on behalf of its designated representatives, the Ministry of Defense of Taiwan ("the Ministry") and the Central Bank of China, Taipei ("CBCT"), desires to enter into an Agreement governing the operations of Taiwan's CBCT Foreign Military Sales account ("the Account") at the Federal Reserve Bank of New York,

It is agreed by the signatory parties that AIT, through its designated representatives, the Defense Security Cooperation Agency (an agency of the U.S. Department of Defense, "DSCA") and the Federal Reserve Bank of New York ("the Bank"), will be the liaison with TECRO regarding the operations of the Account.

1. Background/Objective

The CBCT FMS account was originally established pursuant to an agreement signed June 18, 1980 by DSCA and July 2, 1980 by the Bank. This Agreement delineates the purposes, responsibilities and guidelines for operation of the Account. Annex I to this Agreement is a Tripartite Agreement signed by AIT and the Implementing Agents of the United States, DSCA and the Bank. Annex II to this Agreement is a Tripartite Agreement signed by TECRO and the Implementing Agents of Taiwan, the Ministry and CBCT. Both Annexes are considered part of this Agreement, and neither this Agreement nor the Annexes can be modified without the mutual consent of AIT and TECRO, except as discussed in paragraph 4.a. of this AIT/TECRO Agreement.

2. Obligations of AIT

- a. AIT shall carry out its responsibilities pursuant to this Agreement and Annex I attached hereto with due diligence and efficiency.
- b. AIT shall, through its designated representatives, furnish to TECRO or its designated representatives such information related to the operation of the

Account as may be reasonably requested or prescribed in Annex I attached hereto.

3. Obligations of TECRO

- a. TECRO shall carry out its responsibilities pursuant to this Agreement and Annex II attached hereto with due diligence and efficiency.
- b. TECRO shall, through its designated representatives, furnish to AIT or its designated representatives such information related to the operation of the CBCT FMS Account as may be reasonably requested or prescribed in Annex II attached hereto.

4. Amendment and Termination

- a. An amendment to any or all of the foregoing provisions may be made by exchange of letters between the AIT and TECRO indicating mutual agreement with the amendment. An amendment to Annex I or to Annex II attached hereto may be made upon amending the Annex I or Annex II agreement and the subscription of all signatures thereon.
- b. The Account shall be closed only on receipt by the Bank of authenticated written or telex requests of both DSCA and the CBCT. The balance of the Account shall thereafter be transferred promptly to any account the CBCT may direct.

5. Liability

The Bank will have no liability under this Agreement or under Annex I attached hereto except for acts or omissions resulting from its failure to exercise ordinary care.

IN WITNESS THEREOF, the parties hereto have hereby set their hands by their duly authorized representatives and have caused this Agreement to be signed and effective the date of the last signature hereafter.

For: Taipei Economic and Cultural
Representative Office

American Institute in Taiwan

NAME: Huang Chin-kang
Major General, ROCAF
Director, Defense Procurement
Division, TECRO
TITLE: Washington, D.C.

NAME: Walter J. Selinger

TITLE: Deputy Managing Director
AIT/Washington

DATE: Jan. 4, 1999

DATE: July 12, 1999