

No. 4019

**UNITED STATES OF AMERICA
and
INDIA**

**Agricultural Commodities Agreement under Title I of the
Agricultural Trade Development and Assistance Act
(with annex and related letters). Signed at New Delhi,
on 29 August 1956**

Official text: English.

Registered by the United States of America on 18 October 1957.

**ÉTATS-UNIS D'AMÉRIQUE
et
INDE**

**Accord relatif aux produits agricoles, conclu dans le cadre
du titre I de la loi tendant à développer et à favoriser
le commerce agricole (avec annexe et lettres connexes).
Signé à New-Delhi, le 29 août 1956**

Texte officiel anglais.

Enregistré par les États-Unis d'Amérique le 18 octobre 1957.

No. 4019. AGRICULTURAL COMMODITIES AGREEMENT¹
BETWEEN THE UNITED STATES OF AMERICA AND
THE GOVERNMENT OF INDIA UNDER TITLE I OF
THE AGRICULTURAL TRADE DEVELOPMENT AND
ASSISTANCE ACT. SIGNED AT NEW DELHI, ON
29 AUGUST 1956

The Government of the United States and the Government of India;

Recognizing the desirability of expanding trade in agricultural commodities between their two countries and with other friendly nations in a manner which would not displace usual marketings of the United States in these commodities, or unduly disrupt world prices of agricultural commodities; and recognizing the desirability of accelerated economic development leading to increased consumption;

Considering that the purchase for Indian rupees of surplus agricultural commodities produced in the United States will assist in achieving such an expansion of trade, accelerated development and increased consumption;

Considering that the Indian rupees accruing from such purchases will be utilized in a manner beneficial to both countries;

Desiring to set forth the understandings which will govern the sales of surplus agricultural commodities to the Government of India pursuant to Title I of the Agricultural Trade Development and Assistance Act of 1954, as amended, and the measures which the two governments will take individually and collectively in furthering the expansion of trade in such commodities;

Have agreed as follows :

Article I

SALES FOR INDIAN RUPEES

1. Subject to the issuance and acceptance of the purchase authorizations referred to in paragraph 2 of this Article, and subject to the provisions of paragraph 4 of this Article, the Government of the United States of America undertakes to finance, during the period ending June 30, 1959, the sale for Indian rupees of certain agricultural commodities determined to be surplus pursuant to the Agricultural Trade Development and Assistance Act of 1954, as amended, to the Government of India.

¹ Came into force on 29 August 1956, upon signature, in accordance with article VI.

2. The United States Government will issue, within the terms of this Agreement, purchase authorizations which shall include provisions relating to the sale and delivery of commodities, the time and circumstances of deposit of the Indian rupees accruing from such sales, and other relevant matters, and which shall be subject to acceptance by the Government of India. Certain commodities, and amounts, with respect to which tentative agreement has been reached by the two governments, are listed in paragraph 3 of this Article. A schedule of minimum quantities of commodities to be shipped each year, with respect to which tentative agreement has been reached by the two Governments, is set forth in Annex¹ I to this Agreement. The agreement reached between the two governments with respect to usual marketings is also set forth in Annex I.

3. The United States Government undertakes to finance the sale to the Government of India of the following commodities, in the amounts and approximate quantities indicated, for shipment prior to June 30, 1959, under the terms of Title I of the said Act and of this Agreement :

<i>Commodities</i>	<i>Export Market Value (in million of dollars)</i>
Wheat	\$200.0
Rice	26.4
Cotton	70.0
Dairy Products	3.5
Tobacco	6.0
	SUB-TOTAL
Ocean Transportation (est. 50%)	54.2
	TOTAL
	\$360.1

4. The two governments agree that the issuance of purchase authorisations for ghee, dried milk and tobacco providing for purchase after June 30, 1957, shall be dependent upon the determination by the United States Government that such commodities are in surplus at that time. The United States Government shall have the right to terminate the financing of further sales under this Agreement of any commodity if it determines at any time after June 30, 1957, that such action is necessitated by the existence of an international emergency.

Article II

USE OF INDIAN RUPEES

1. The two governments agree that the Indian rupees accruing to the United States Government as a consequence of sales made pursuant to this Agreement

¹ See p. 34 of this volume.

will be used by the Government of the United States for the following purposes in the amounts shown :

- (i) For United States expenditures under sub-sections (a), (b), (d), (f) and (h) of Section 104 of the Act, the Indian rupee equivalent \$72.0 million.
- (ii) For grants to the Government of India to promote the economic development of India under sub-section (e) of Section 104 of the Act, the Indian rupee equivalent \$54.0 million, subject to supplemental agreement between the two governments. In the event the rupees set aside for grants to the Government of India are not advanced within five years from the date of this Agreement as a result of failure of the two governments to reach agreement on the use of the rupees for grant purposes, or for any other purposes, the Government of the United States may use the rupees for any other purposes authorized by Section 104 of the Act.
- (iii) For loans to the Government of India to promote the economic development of India under sub-section (g) of Section 104 of the Act, the Indian rupee equivalent of \$234.1 million subject to supplemental agreement between the two governments. It is understood that the loan will be denominated in dollars, with payment to be made in United States dollars, or, at the option of the Government of India, in Indian rupees, such payments in rupees to be made in accordance with the provisions of the loan agreement and any agreement supplemental thereto. In the event the rupees set aside for loans to the Government of India are not advanced within five years from the date of this Agreement as a result of failure of the two governments to reach agreement on the use of the rupees for loan purposes, or for any other purposes, the Government of the United States may use the rupees for any other purposes authorised by Section 104 of the Act. Not less than \$55.0 million of this sum will be reserved for relending to private enterprise through established banking facilities under procedures to be agreed upon by the two governments.

2. The Indian rupees accruing under this agreement shall be expended on a basis which gives priority to use for purposes under paragraph 1(i) (that is United States Uses) except as may be otherwise agreed.

Article III

DEPOSIT OF INDIAN RUPEES AND RATE OF EXCHANGE

The deposit of Indian in payment for the commodities (and for ocean freight costs financed by the United States, except excess costs resulting from the requirement that United States flag vessels be used) shall be made at the rate of exchange for United States dollars generally applicable to import transac-

tions (excluding imports granted preferential rate) in effect on the dates of dollar disbursement by United States banks, or by the United States, as provided in the purchase authorizations.

Article IV

GENERAL UNDERTAKINGS

1. The Government of India agrees that it will take all possible measures to prevent the resale or trans-shipment to other countries or use for other than domestic purposes (except where such resale, trans-shipment or use is specifically approved by the Government of the United States), of surplus agricultural commodities purchased pursuant to the provisions of the Agricultural Trade Development and Assistance Act of 1954, as amended, and to assure that the purchase of such commodities does not result in increased availability for export from India of these or like commodities, including cotton of 5/8" or longer staple.
2. The two governments agree that they will take reasonable precautions to assure that sales of surplus agricultural commodities pursuant to the Agricultural Trade Development and Assistance Act of 1954 will not unduly disrupt world prices of agricultural commodities, displace usual marketings of the United States in these commodities, or materially impair trade relations among the countries of the free world.
3. In carrying out this Agreement the two governments will seek to assure conditions of commerce permitting private traders to function effectively and will use their best endeavours to develop and expand continuous market demand for agricultural commodities.
4. The Government of India agrees to furnish, upon request of the Government of the United States, information on the progress of the program, particularly with respect to arrivals and conditions of commodities and the provisions for the maintenance of usual marketings, and information relating to export of the same and like commodities.

Article V

CONSULTATION

The two governments will, upon the request of either of them, consult regarding any matter relating to the application of this Agreement, or to the operation of arrangements carried out pursuant to this Agreement.

Article VI

ENTRY INTO FORCE

This Agreement shall enter into force upon signature.

IN WITNESS WHEREOF, the respective representatives, duly authorized for the purpose, have signed the present Agreement.

DONE at New Delhi this 29th day of August, 1956.

For the Government
of India :
C. V. NARASIMHAN
Joint Secretary
to the Government of India

For the Government
of the United States of America :
Frederic P. BARTLETT
Chargé d'Affaires
of the United States of America

ANNEX I

MEMORANDUM OF UNDERSTANDING BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF INDIA RELATIVE TO SURPLUS AGRICULTURAL COMMODITIES UNDER TITLE I OF UNITED STATES PUBLIC LAW 480, EIGHTY-THIRD CONGRESS, AS AMENDED

The Government of the United States of America and the Government of India :
Recognizing that sales of surplus agricultural commodities under Title I of United States Public Law 480, Eighty-Third Congress, as amended, shall be in excess of the usual marketings of such commodities;

Recognizing that consideration should be given to providing such commodities for increased consumption in India;

Recognizing that consideration should be given to the scheduling of the shipments to be made over the three-year period;

Have agreed as follows :

Section I

USUAL MARKETINGS

The two governments agree that imports of surplus agricultural commodities under Title I of United States Public Law 480, and of the Surplus Agricultural Commodities Agreement,¹ to which this Annex I relates, shall be over and above usual commercial imports from all sources during United States fiscal year 1957 of not less than 375,000 metric tons of rice and for each year during United States fiscal years 1957, 1958 and 1959 of not less than 550,000 metric tons of wheat and 500,000 bales of cotton of 480 pounds net, except that minor annual deviations may be permitted. Of the 550,000 metric tons of wheat, not less than 150,000 metric tons shall be imported from the United States during each of the three years, and of the 500,000 bales of cotton,

¹ See p. 26 of this volume.

not less than 100,000 bales shall be imported from the United States during each of the three years. Minor annual deviations as referred to above shall apply only to the remaining 400,000 metric tons of wheat and 400,000 bales of cotton required annually as usual marketings but at no time shall such marketings be more than 20 per cent in arrears on a cumulative basis. Furthermore, a total of 1,650,000 metric tons of wheat and 1,500,000 bales of cotton will be taken as usual marketings during the three year period.

Section II

SCHEDULE OF SHIPMENTS

1. Subject to the provisions of Article I of the Agricultural Commodities Agreement between the two governments, it is understood that the United States Government will undertake to issue purchase authorizations on an annual basis and the Government of India will undertake to utilize purchase authorizations and purchase and ship a minimum of \$46.0 million worth of wheat and \$21.0 million worth of cotton during United States fiscal year 1957; a minimum of \$57.0 million worth of wheat and \$21.0 million worth of cotton during the United States fiscal year 1958; and the remainder of the commodities as provided in the Agreement to be purchased and shipped on or before June 30, 1959.
2. The Government of the United States reserves the right, in the event of substantial failure to carry out the foregoing schedule, to cancel the remainder of the program.

C. V. N.

F. P. B.

RELATED LETTERS

I

THE FOREIGN SERVICE OF THE UNITED STATES OF AMERICA

Mr. C. V. Narasimhan, I.C.S.
Joint Secretary
Department of Economic Affairs
Ministry of Finance
Government of India

August 28, 1956

Dear Mr. Narasimhan :

Referring to our telephone conversation this morning, there is enclosed a memorandum¹ covering some of the points that have been discussed during the negotiations on the Title I, Public Law 480 Agreement.

¹ See p. 38 of this volume.

In case you find anything in this which is not in accordance with your understanding, please so indicate immediately so that we can attempt to clarify it before signing of the agreement.

Respectfully yours,

Frederic P. BARTLETT
Chargé d'Affaires, a.i.

Enclosure :

Memorandum¹

August 28, 1956

MEMORANDUM

The following is a resume of some of the points raised during discussions between officials of the United States and the Government of India on the Title I, PL-480 Agreement :

1. Export market values shown in para 3 of the Agreement represent total amounts for which purchase authorizations will be issued. The quantities of the commodities which were mentioned in the letters from our Agricultural Attache, Mr. Anderson to Mr. Thapar and Mr. Patel, dated July 18, 1956² and August 6, 1956,³ were based on present United States export market prices. However, commodity commitments will be in terms of export market value and not quantity. Purchase of commodities will be from private United States commercial firms and actual prices are to be agreed upon by the buyers and the sellers.

2. As required by law, at least 50% of the tonnage of each commodity must be transported on privately owned United States vessels. The ocean transportation figure in the agreement is an estimate of the amount required to carry this tonnage on United States flag vessels. India will be required to deposit rupees for ocean freight financed by the United States only at the freight rate prevailing on non-United States vessels. To the extent that the amount provided for ocean transportation proves inadequate, additional funds will be provided. If it should be more than sufficient to cover ocean transportation costs the remainder may be used to finance the purchase of additional quantities of the commodities in the program.

3. The United States will issue purchase authorizations on an annual basis in accordance with minimum annual schedules as indicated in Annex I of the Agreement. If additional amounts are desired in any one year the P.A. can be increased by amendment.

4. Sales of cotton financed under Title I will be eligible to participate in the U.S. Department of Agriculture special cotton export program for shipment after August 1, 1956.

5. The \$3.5 million for dairy products will cover the purchase of ghee, dried milk, or dried milk and anhydrous fat for milk recombining. It is anticipated that part of the dairy products in the program will be used to help supply the Calcutta enterprise, surveyed recently by a FAO team.

¹ See below.

² Not printed by the Department of State of the United States of America.

6. The deposit of Indian rupees in payment for the commodities will be at the rate of exchange for US dollars generally applicable to import transactions (excluding imports granted a preferential rate). The procedure for making deposits, given in Title I, Public Law 480 Regulations Revised,¹ copy of which has been given to the Government of India officials, is in line with the desire of the United States to keep Title I transactions as close as possible to normal commercial transactions. The proposed rate would, under the current India exchange system, be the official selling rate for United States dollars.

7. The facility to convert up to one million dollars of rupees into other currencies is for the purpose of having funds to pay for international transportation of United States and other personnel engaged in, and supplies and equipment for, agricultural market development activities under Section 1 (i) of Article II of the Agreement.

8. It is understood that Section 1415 of the United States Supplemental Appropriation Act, 1953, is applicable to the rupee uses under this Agreement. This requires that not less than 10% of the rupee proceeds be used for United States uses covered by dollar appropriations of the United States Congress.

9. Supplemental Agreements between the two Governments will be made covering the grant provided in Article II, para 1 (ii). Acceptable uses of grant funds could include, for example (1) construction of storage facilities for primary agricultural commodities, (2) improvement of dock facilities for handling agricultural commodities, (3) construction of food processing facilities, such as milk recombining and toning plants, (4) expenditures for direct consumption on projects necessary to buttress economic development, including direct consumption agricultural commodities, such as feeding and clothing students at technical and professional training centers and schools, (5) other projects of like nature related to economic development or increased consumption.

10. The terms of the loan cited under para. 1 (iii) of Article II will also be covered by a Supplemental Agreement between the two Governments. It is indicated that the terms and procedures of the Agreement will follow substantially the lines of the previous Mutual Security loans. Rupee loans will be denominated in dollars and repayable in either dollars or rupees. Repayment, if in rupees, will be calculated in accordance with an exchange rate designed to protect both Governments against changes in the dollar-rupee relationship.

11. With regard to the \$55.0 million of funds reserved for relending to private enterprise through established banking facilities in para. 1 (iii) of Article II, it is understood that loans will be made on a non-discriminatory basis as between Indian citizens, United States nationals and nationals of other mutually acceptable countries. These funds also may be used to supply the local currency component of loan projects for private enterprise through established banking facilities, including I.C.I.C.I. if such additions to its financial

¹ United States of America : 21 *Fed. Reg.*, Mar. 6, 1956, p. 1433, §11.4 (10).

resources would further its objectives. Loans to private enterprise will be made on terms no less favorable than the usual terms of local financial agencies.

12. Generally, loan and grant funds will not be used for economic development projects which would have the effect of reducing export outlets for United States agricultural commodities. However, agricultural projects for such purposes as expansion or improvement of livestock production, storage, processing and distribution facilities; development of forestry resources; or other such purposes which would not have the effect of reducing export outlets for United States agricultural commodities will be considered on an individual basis.

13. In general, the procedures which govern the release of 104 (e) and (g) funds will be on the same lines as the procedures currently being followed for obtaining approval of projects financed under the TCM¹ India Program. This procedure will apply on all releases of funds for uses under 104 (e) and (g), including projects for which the dollar costs are covered from other sources.

14. The procurement, shipment and financing of sales under Title I will be governed by U.S. Department of Agriculture forms, procedures and regulations.

II

MINISTRY OF FINANCE

DEPARTMENT OF ECONOMIC AFFAIRS

New Delhi, the 29th August 1956

Dear Mr. Bartlett :

During the course of the discussions, which preceded the signing today of an Agreement under Title I, U.S. Public Law 480 between the Government of U.S.A. and the Government of India,² we reached an understanding on several points which have, for various reasons, not been incorporated in the body of the Agreement. You have mentioned some of those understandings in the memorandum attached to your letter dated August 28, 1956. However, I find that the following understandings also need to be placed on record :

(i) Repayment of loans cited under para. 1 (iii) of Article II of the Agreement will be in dollars or in rupees at the option of Government of India. It is assumed that there will be a differential rate of interest, as in the case of the previous Development Assistance loans.

¹ Technical Cooperation Mission.

² See p. 26 of this volume.

(ii) With reference to para 11 of the memorandum, we would like to place on record the fact that it was pointed out during our discussions that, while there was no bar in principle to make additional loans available to the Industrial Credit & Investment Corporation of India, the ICICI had no need for additional finances just now, and in fact they had not drawn upon the line of credit from the International Bank for Reconstruction & Development already made available to them. Furthermore, if ICICI wanted additional rupee finance, they should normally go to the market. In India it was not usual for banks to give medium term loans required by industries, and ordinarily the banks would only give short-term credit.

It was also suggested by us that these funds may be utilised for purposes such as loans for modernization of textile mills and jute mills, and also for mechanisation of the decentralized sector of industry especially small scale industries. The loan programmes will be handled by the appropriate organisations, such as the National Industrial Development Corporation in the case of textile and Jute mills, National Small Scale Industries Corporation for small scale industries, etc. etc. We could also use the State Bank of India as an established banking agency.

(iii) Imports of surplus agricultural commodities, if any, under the Development Assistance Programme would count against the usual marketing requirements of Section I of Annexure I of the Agreement.

(iv) It is possible that we may have some difficulty in importing the entire quantity of cotton through the trade. We may have to import whatever quantity remains to be lifted after the trade has done its best on Government account through the State Trading Corporation.

Yours sincerely,

C. V. NARASIMHAN

Mr. F. P. Bartlett
Chargé d'Affaires
U.S. Embassy
New Delhi

III

AMERICAN EMBASSY

Mr. C. V. Narasimhan, I.C.S.
Joint Secretary
Department of Economic Affairs
Ministry of Finance
Government of India

New Delhi, August 29, 1956

Dear Mr. Narasimhan :

I have the honour to refer to the Title I, United States Public Law 480 Agreement signed today between the Government of the United States of America and the Government of India and to say that with regard to rupees accruing to uses indicated under Article II, paragraph 1 (i) of the Agreement the understanding of the Government of the United States of America is that the Government of India agrees that rupees up to a total not in excess of \$1.0 million may be converted into other currencies upon request by the Government of the United States of America.

I have the honour to request you kindly to confirm that this is also the understanding of the Government of India.

Respectfully yours,

Frederic P. BARTLETT
Chargé d'Affaires, a.i.

Confirmed on behalf
of the Government of India :
By C.V. NARASIMHAN
August 29, 1956

IV

THE FOREIGN SERVICE OF THE UNITED STATES OF AMERICA
AMERICAN EMBASSY

Mr. C. V. Narasimhan, I.C.S.
Joint Secretary
Department of Economic Affairs
Ministry of Finance
Government of India

New Delhi, August 29, 1956

Dear Mr. Narasimhan :

As you may know the Agricultural Trade Development and Assistance Act was amended during the last session of the Congress to provide for two additional rupee uses under additional clauses to Section 104 number (i) and

(j) respectively. As we do not have full information regarding these clauses and in order not to delay the signing of the basic agreement between our two Governments under the above Act this afternoon, it is suggested that article II of the Agreement be amended subsequently to authorize Section 104 (i) and (j) for United States uses.

If you agree, could you indicate your concurrence below?

Sincerely yours,

Frederic P. BARTLETT
Chargé d'Affaires, a.i.

Confirmed on behalf
of the Government of India :
By C. V. NARASIMHAN
August 29, 1956