

No. 3735

**UNITED STATES OF AMERICA
and
CHILE**

**Surplus Agricultural Commodities Agreement. Signed at
Santiago, on 27 January 1955**

Official texts: English and Spanish.

Registered by the United States of America on 19 March 1957.

**ÉTATS-UNIS D'AMÉRIQUE
et
CHILI**

**Accord relatif aux produits agricoles en surplus. Signé à
Santiago, le 27 janvier 1955**

Textes officiels anglais et espagnol.

Enregistré par les États-Unis d'Amérique le 19 mars 1957.

No. 3735. SURPLUS AGRICULTURAL COMMODITIES AGREEMENT¹ BETWEEN THE UNITED STATES OF AMERICA AND CHILE. SIGNED AT SANTIAGO, ON 27 JANUARY 1955

The Government of the United States of America and the Government of Chile :

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;

Considering that the purchase for pesos of surplus agricultural commodities produced in the United States will assist in achieving such an expansion of trade;

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

Desiring to set forth the understanding governing the sale of surplus agricultural commodities to Chile by the Government of the United States of America pursuant to Title I of the Agricultural Trade Development and Assistance Act of 1954, 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

SALE FOR LOCAL CURRENCY

1. Subject to the execution of purchase authorizations referred to in paragraph 2 of this Article, the Government of the United States of America undertakes to finance on or before June 30, 1955, the sale for pesos of certain agricultural commodities determined to be surplus pursuant to Title I of the Agricultural Trade Development and Assistance Act of 1954 and specified in paragraph 3 of this Article to purchasers authorized by the Government of Chile.

2. The United States Government will issue, within the terms of this Agreement, purchase authorizations which shall include provisions relating to

¹ Came into force on 27 January 1955, upon signature, in accordance with article VIII.

the sale, transfer and delivery of commodities, the time and circumstances of deposit of pesos accruing from such sales, and other relevant matters, and which shall be subject to acceptance by the Government of Chile.

3. The United States Government undertakes to finance the sale to Chile of the following commodities, in value as indicated, during the United States fiscal year 1955, under the terms of Title I of United States Public Law 480, 83d Congress :

<i>Commodity</i>	<i>Market Value (Millions of dollars)</i>	<i>Approximate Quantity</i>
Wheat	2.2	34,000 M.T.
Cottonseed oil	2.4	9,000 M.T.
Transportation (estimated)4	
	TOTAL	5.0

Article II

USES OF PESOS

1. The two Governments agree that the pesos accruing to the Government of the United States of America as a consequence of sales made pursuant to this Agreement will be used by the Government of the United States of America for the following purposes in the amounts shown :

- (a) To pay United States obligations in Chile under Section 104 (f) of Title I, peso equivalent of \$500,000;
- (b) To develop new markets for United States agricultural commodities under Section 104 (e)¹ of Title I, peso equivalent of \$200,000;
- (c) For financing international education exchange activities under Section 104 (h) of Title I, peso equivalent of \$300,000;
- (d) For loans to the Government of Chile to promote the economic development of Chile under Section 104 (g) of Title I, peso equivalent of \$4,000,000, subject to supplemental agreement between the two Governments. In accordance with Article 44, subparagraph 2, of the Chilean Constitution, such supplemental agreement shall be subject to legislative approval;
- (e) In the event that pesos set aside for loans to the Government of Chile under (d) are not advanced within three years from the date of this Agreement

¹ The following information is given by the Department of State of the United States of America (*Treaties and Other International Acts Series 3234*, p. 2, footnote 1): "Should read 'Section 104 (a)'."

as a result of failure of the Parties hereto to reach agreement on uses for the pesos or for any other reason which prevents the Parties hereto from reaching agreement, the Government of the United States may request and upon request the Government of Chile will make conversion of these pesos into United States dollars at the rate which covered the deposit of pesos in accordance with Article III, unless the Parties to this Agreement mutually agree on another use for the pesos.

2. The pesos accruing to the United States under this Agreement shall be expended by the United States Government for the purposes stated in paragraph 1 of this Article in such manner and order of priority as the Government of the United States shall determine.

Article III

DEPOSIT OF PESOS

The pesos to be deposited to United States account will be the dollar sales value of the commodity including that portion of freight and handling reimbursed or financed by the United States, converted into pesos at the exchange rate most generally applicable to import transactions (excluding imports granted a preferential rate) at the time specified in the purchase authorization, but not including the extra cost of any ocean freight resulting from a United States requirement that the commodity be carried on United States flag vessels.

Article IV

EXCHANGE RATE GUARANTEE

The Government of Chile, in order to maintain the dollar value of the \$1,000,000 in pesos to be used under paragraph 1 (a), (b), and (c) of Article II, agrees that such pesos shall be deposited by the United States Disbursing Officer with the Central Bank of Chile in a "special" account to which the following procedures shall apply :

- (a) When the United States Disbursing Officer desires to draw against the "special" account, he will inform the Government of Chile, in terms of United States dollars, of the amount, the peso equivalent of which is to be paid out. The peso withdrawal will be calculated at the exchange rate most generally applicable to import transactions (excluding imports granted a preferential rate) on the date of the withdrawal.
- (b) If on the date pesos are withdrawn from the "special" account the rate available to the United States under (a) above is more depreciated than

the rate at which the pesos were originally deposited under Article III, the Government of Chile will deposit an amount of pesos into the "special" account equal to the product of the dollar amount referred to in (a) above and the difference between the two exchange rates.

- (c) If, on the other hand, on the date pesos are withdrawn from the "special" account the rate under (a) above is more appreciated than the rate at which the pesos were originally deposited under Article III, the United States Disbursing Officer will pay to the Government of Chile an amount of pesos from the "special" account equal to the product of the dollar amount referred to in (a) above and the difference between the two exchange rates.
- (d) In the event deposits into the "special" account are made at more than one rate of exchange, the weighted average rate of such deposits shall be used for implementing subparagraphs (b) and (c) above.

Article V

REPAYMENT OF LOANS

Loans under (d) of paragraph 1 of Article II above shall be repaid in dollars and/or by deliveries of strategic materials valued at market prices at the time of delivery under terms to be established by supplemental agreements between the two Governments. Such repayments shall be in a total amount equal to the original dollar value of loans extended under (d) of paragraph 1 of Article II, plus interest, and shall be made in five approximately equal annual installments, the first to be due and payable five years after the date of this Agreement.

Article VI

GENERAL UNDERTAKINGS

1. The Government of Chile agrees that it will take all possible measures to prevent the resale or transshipment to other countries, or use for other than domestic purposes, (except where such resale, transshipment or use is specifically approved by the Government of the United States) of surplus agricultural commodities purchased pursuant to the provisions of Title I of the Agricultural Trade Development and Assistance Act of 1954, and to assure that the importation of such commodities does not result in increased availability of these or like commodities to nations unfriendly to the United States.

2. The two Governments agree that they will take reasonable precautions to assure that the sale of surplus agricultural commodities pursuant to Title I of 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 endeavors to develop and expand continuous market demand for agricultural commodities.

Article VII

CONSULTATION

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

Article VIII

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 Santiago in duplicate in the English and Spanish languages this twenty-seventh day of January, 1955.

For the Government of the United States of America :

By Willard L. BEAULAC

[SEAL]

For the Government of the Republic of Chile :

By Rafael TARUD SIWADY

[SEAL]