

No. 4798

**UNITED STATES OF AMERICA
and
INDIA**

**Agricultural Commodities Agreement under Title I of the
Agricultural Trade Development and Assistance Act,
as amended (with Memorandum of Understanding and
exchange of notes). Signed at Washington, on 26 Sep-
tember 1958**

Official text: English.

Registered by the United States of America on 24 June 1959.

**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, telle qu'elle a été modifiée (avec
Mémorandum d'accord et échange de notes). Signé à
Washington, le 26 septembre 1958**

Texte officiel anglais.

Enregistré par les États-Unis d'Amérique le 24 juin 1959.

No. 4798. AGRICULTURAL COMMODITIES AGREEMENT¹
BETWEEN THE GOVERNMENT OF THE UNITED
STATES OF AMERICA AND THE GOVERNMENT OF
INDIA UNDER TITLE I OF THE AGRICULTURAL
TRADE DEVELOPMENT AND ASSISTANCE ACT, AS
AMENDED. SIGNED AT WASHINGTON, ON 26 SEP-
TEMBER 1958

The Government of the United States of America 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 of America in those commodities, or unduly disrupt world prices of agricultural commodities or normal patterns of commercial trade with friendly countries;

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

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, 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 RUPEES

Subject to the issuance by the Government of the United States of America and acceptance by the Government of India of purchase authorizations, the Government of the United States of America undertakes to finance the sale to purchasers authorized by the Government of India for rupees of the following agricultural commodities determined to be surplus pursuant to Title I of the Agricultural Trade Development and Assistance Act in the amounts indicated :

¹ Came into force on 26 September 1958, upon signature, in accordance with article VI.

<i>Commodity</i>	<i>Amount (millions)</i>
Wheat and/or Flour or Bulgar	\$182.0
Corn	5.1
Grain Sorghums	8.0
	SUB-TOTAL
Ocean Transportation (est. 50%)	43.7
	TOTAL
	\$238.8

Purchase authorizations will be issued not later than 90 calendar days after the effective date of this Agreement. They will include provisions relating to the sale and delivery of commodities, the time and circumstances of deposit of the rupees accruing from such sale and other relevant matters.

Article II

USES OF RUPEES

The two Governments agree that the rupees accruing to the Government of the United States of America as a consequence of the sales made pursuant to this agreement will be used by the Government of the United States of America in such manner and order of priority as the Government of the United States of America may determine, for the following purposes, in the amounts shown :

1. For the United States expenditures under sub-sections (a), (b), (d), (e), (f), (h), (i), (j), (k), (l), (m), (n), and (o) of Section 104 of the Act, the Indian rupee equivalent of \$88.4 million. Uses under sub-sections (k), (l), (m), (n), and (o) are subject to legislative action by the Congress of the United States.

2. For a grant under sub-section (e) of Section 104 of the Act, the rupee equivalent of not more than \$35.8 million for financing such projects to promote economic development, with emphasis on non-self-liquidating projects particularly in health and education, as may from time to time be agreed upon by the Technical Cooperation Mission of the Government of the United States and the appropriate representatives of the Government of India.

3. For a loan to the Government of India under sub-section (g) of Section 104 of the Act, the rupee equivalent of not more than \$114.6 million, for financing such projects to promote economic development as may from time to time be agreed upon by the Technical Cooperation Mission of the Government of the United States and the appropriate representatives of the Government of India. It is understood that the loan will be denominated in dollars with payment of

principal and interest to be made in rupees, such payments in rupees to be made at the applicable exchange rate as defined in the loan agreement. The terms and conditions of the loan and other provisions will be set forth in a supplemental loan agreement between the two Governments.

4. In the event the total of rupees accruing to the Government of the United States of America as a consequence of sales made pursuant to the Agreement is less than the rupee equivalent of \$238.8 million the amount available for a loan to the Government of India under Section 104 (g) may be reduced by the amount of such difference; in the event the total rupee deposit exceeds the equivalent of \$238.8 million, 63 percent may be available for the loan under 104 (g) and 37 percent for any use or uses authorized under Section 104 as determined by the Government of the United States of America.

5. In the event that the rupees set aside for grants and loans under paragraphs 2 and 3 of this Article are not advanced within three 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 and loan purposes, the Government of the United States of America may use the rupees for any other purposes authorized by Section 104 of the Act.

Article III

DEPOSIT OF INDIAN RUPEES

The deposit of Indian rupees to the account of the Government of the United States of America in payment for the commodities and for ocean transportation costs financed by the Government of the United States of America (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 transactions (excluding imports granted a preferential rate) in effect on the dates of dollar disbursement by United States banks or by the United States of America, as provided in the purchase authorizations.

Article IV

GENERAL UNDERSTANDINGS

1. The Government of India agrees that it will take all possible measures to prevent the resale or transshipment to other countries, or the use for other than domestic purpose (except where such resale, transshipment or use is specifically approved by the Government of the United States of America), of the surplus agricultural commodities purchased pursuant to the provisions of this Agreement, and to assure that the purchase of such commodities does not result in increased availability for export from India of these or like commodities.

2. The two Governments agree that they will take reasonable precautions to assure that sales or purchases of surplus agricultural commodities pursuant to the Agreement will not unduly disrupt world prices of agricultural commodities, displace usual marketings of the United States of America 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.

4. The Government of India agrees to furnish, upon request of the Government of the United States of America, information on the progress of the program, particularly with respect to arrivals and conditions of commodities and information relating to exports of the same or like commodities.

Article V

CONSULTATION

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

Article VI

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 Washington, this twenty-sixth day of September, 1958.

For the Government of the United States of America :
Christian A. HERTER

For the Government of India :
Harishwar DAYAL

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 THE AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT, AS AMENDED

The Government of the United States of America and the Government of India, recognizing the principle that sales of surplus agricultural commodities under Title I of United States Public Law 480 shall be in excess of the usual marketings of such commodities, nonetheless agree that no fixed amounts of commercial imports of the commodities covered by this agreement, i.e. wheat, corn and grain sorghums, shall be stipulated herein, it being expressly understood that such omission has been decided upon purely on the basis of the Government of India's present financial position regarding foreign exchange resources and does not in any way constitute a precedent for any future similar agreement with the Government of India.

Washington, September 26, 1958

C. A. H.
H. D.

EXCHANGE OF NOTES

I

The Acting Secretary of State to the Chargé d'Affaires ad interim of India

DEPARTMENT OF STATE
WASHINGTON

September 26, 1958

Sir :

I refer to the Agricultural Commodities Agreement signed today¹ between the Government of the United States of America and the Government of India and, with regard to the rupees accruing to uses indicated under Article II of the Agreement, state that the understanding of the Government of the United States of America is as follows :

¹ See p. 60 of this volume.

With respect to Paragraph 1 of Article II:

(i) That the rupee equivalent of not more than \$2.0 million is to provide assistance of the types provided for under Section 104 (j) of the Act.

(ii) That the rupee equivalent of \$59.7 million, but not more than 25 percent of the currencies received under the Agreement will be used for loans to be made by the Export-Import Bank of Washington under Section 104 (e) of the Act and for administrative expenses of the Export-Import Bank of Washington in India incident thereto. It is understood that :

(a) Such loans under Section 104 (e) of the Act will be made to United States business firms and branches, subsidiaries, or affiliates of such firms in India for business development and trade expansion in India and to United States firms and to Indian firms for the establishment of facilities for aiding in the utilization, distribution, or otherwise increasing the consumption of and markets for United States agricultural products. In the event the rupees set aside for loans under Section 104 (e) of the Act, as amended, are not advanced within three years from the date of this Agreement because the Export-Import Bank of Washington has not approved loans or because proposed loans have not been mutually agreeable to the Export-Import Bank of Washington and the Department of Economic Affairs of the Government of India, the Government of the United States of America may use the rupees for any purpose authorized by Section 104 of the Act, as amended.

(b) Loans will be mutually agreeable to the Export-Import Bank of Washington and the Government of India acting through the Department of Economic Affairs of the Ministry of Finance. The Secretary, Department of Economic Affairs, or his designate, will act for the Government of India, and the President of the Export-Import Bank of Washington, or his designate, will act for the Export-Import Bank of Washington.

(c) Upon receipt of an application which the Export-Import Bank is prepared to consider, the Export-Import Bank will inform the Department of Economic Affairs of the identity of the applicant, the nature of the proposed business, the amount of the proposed loan, and the general purposes for which the loan proceeds would be expended.

(d) When the Export-Import Bank is prepared to act favorably upon an application it will so notify the Department of Economic Affairs and will indicate the interest rate and the repayment period which would be used under the proposed loan. The interest rate will be similar to those prevailing in India on comparable loans and the maturities will be consistent with the purposes of the financing.

(e) Within sixty days after the receipt of notice that the Export-Import Bank is prepared to act favorably upon an application the Department of Economic

Affairs will indicate to the Export-Import Bank whether or not the Department of Economic Affairs has any objection to the proposed loan. Unless within the sixty-day period the Export-Import Bank has received such a communication from the Department of Economic Affairs it shall be understood that the Department of Economic Affairs has no objection to the proposed loan. When the Export-Import Bank approves or declines the proposed loan, it will notify the Department of Economic Affairs.

With respect to Paragraph 2 of Article II:

The Government of India will use the amount of local currency granted to it by the United States pursuant to paragraph 2 of Article II of the Agricultural Commodities Agreement for financing such projects to promote economic development, with emphasis on non-self-liquidating projects particularly in health and education, as may from time to time be agreed upon by the Technical Cooperation Mission and the appropriate representatives of the Government of India.

With respect to Paragraph 3 of Article II:

The Government of India will use the amount of local currency loaned to it by the United States pursuant to a Loan Agreement under paragraph 3 of Article II of the Agricultural Commodities Agreement for financing such projects to promote economic development as may from time to time be agreed upon between the Technical Cooperation Mission and the appropriate representatives of the Government of India.

With respect to both paragraphs 2 and 3 of Article II:

Local currency will be advanced or reimbursed to the Government of India for financing agreed projects under paragraphs 2 and 3 of Article II of the Agricultural Commodities Agreement upon the presentation of such documentation as the Technical Cooperation Mission may specify.

The Government of India shall maintain or cause to be maintained books and records adequate to identify the goods and services financed for agreed projects pursuant to paragraphs 2 and 3 of Article II of the Agricultural Commodities Agreement, to disclose the use thereof in the projects and to record the progress of the projects (including the cost thereof). The books and records with respect to each project shall be maintained for the duration of the project, or until the expiration of three years after final disbursement for the project has been made by the Technical Cooperation Mission, whichever is later. The two Governments shall have the right at all reasonable times to examine such books and records and all other documents, correspondence, memoranda and other records involving transactions relating to agreed projects. The Govern-

ment of India shall enable the Technical Cooperation Mission to observe and review agreed projects and the utilization of goods and services financed under the projects, and shall furnish to the Technical Cooperation Mission all such information as it shall reasonably request concerning the above-mentioned matters and the expenditures related thereto. The Government of India shall afford, or arrange to have afforded, all reasonable opportunity for authorized representatives of the Government of the United States to visit any part of the territory of India for purposes related to agreed projects.

If the Technical Cooperation Mission determines that any disbursement under paragraphs 2 and 3 of Article II of the Agricultural Commodities Agreement made by it for agreed projects is not supported by the documentation submitted by the Government of India, is not made in accordance with the terms of this agreement or any applicable agreement or arrangement between the Government of the United States and the Government of India or is in violation of any applicable laws or regulations of the United States Government, the Government of India shall pay to the Technical Cooperation Mission as may be requested by it, an amount in local currency not to exceed the amount of such disbursement. If any such disbursement has been made under the Loan Agreement, payment by the Government of India shall be credited to the payment of installments due under the Loan Agreement in the inverse order of their maturity.

The Technical Cooperation Mission shall expend funds for agreed projects only in accordance with the applicable laws and regulations of the United States Government. The Technical Cooperation Mission may decline to make further disbursements for any agreed projects if it determines that further disbursements would not fulfill the purpose of paragraphs 2 or 3 of Article II of the Agricultural Commodities Agreement.

Reference to the Technical Cooperation Mission in this note shall be deemed to include any successor agency of the Government of the United States.

I shall appreciate your confirming to me that the contents of this note also represent the understanding of the Government of India.

Accept, Sir, the renewed assurances of my high consideration.

Christian A. HERTER
Acting Secretary of State
of the United States of America

The Honorable H. Dayal
Chargé d'Affaires ad interim of India

II

The Chargé d'Affaires ad interim of India to the Acting Secretary of State

EMBASSY OF INDIA
WASHINGTON, D. C.

September 26, 1958
Asvina 4, 1880 (Saka)

Excellency,

I have the honour to acknowledge receipt of Your Excellency's Note of September 26, 1958, with reference to the Agricultural Commodities Agreement signed today between the Government of the United States of America and the Government of India.

I have the honour to confirm that the contents of the above mentioned Note represent my Government's understanding of the agreement reached between us on the matters dealt with therein.

Accept, Excellency the renewed assurances of my highest consideration.

Harishwar DAYAL
Chargé d'Affaires ad interim of India

The Hon'ble Christian A. Herter
Acting Secretary of State
Department of State
Washington, D. C.
