

No. 4889

**UNITED STATES OF AMERICA
and
ICELAND**

**Agricultural Commodities Agreement under Title I of the
Agricultural Trade Development and Assistance Act,
as amended (with Memorandum of Understanding).
Signed at Reykjavik, on 3 March 1959**

Official text: English.

Registered by the United States of America on 16 September 1959.

**ÉTATS-UNIS D'AMÉRIQUE
et
ISLANDE**

**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). Signé à Reykjavik, le 3 mars
1959**

Texte officiel anglais.

Enregistré par les États-Unis d'Amérique le 16 septembre 1959.

No. 4889. AGRICULTURAL COMMODITIES AGREEMENT¹
BETWEEN THE UNITED STATES OF AMERICA AND
THE GOVERNMENT OF ICELAND UNDER TITLE I
OF THE AGRICULTURAL TRADE DEVELOPMENT AND
ASSISTANCE ACT, AS AMENDED. SIGNED AT REYK-
JAVIK, ON 3 MARCH 1959

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

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 or normal patterns of commercial trade with friendly countries;

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

Considering that the kronur 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 agricultural commodities to Iceland pursuant to Title I of the Agricultural Trade Development and Assistance Act, as amended (hereinafter referred to as the Act) 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 KRONUR

Subject to the issuance by the Government of the United States of America and acceptance by the Government of Iceland of purchase authorizations, the Government of the United States of America undertakes to finance the sale for kronur to purchasers authorized by the Government of Iceland of the following agricultural commodities determined to be surplus pursuant to the Act, in the amounts indicated :

¹ Came into force on 3 March 1959, upon signature, in accordance with article VI.

<i>Commodity</i>	<i>Value (Thousand)</i>
Wheat/wheat flour	\$600
Corn or grain sorghums	300
Barley	200
Rice	100
Cotton or cotton products	400
Tobacco	400
Soybean/cottonseed oil	100
Ocean transportation	100
	TOTAL \$2,200

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 kronur accruing from such sale and other relevant matters.

Article II

USES OF KRONUR

The two Governments agree that the kronur 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 shall determine, for the following purposes in the amounts shown :

1. For expenditures in Iceland by the Government of the United States of America under Section 104 (f) of the Act, the kronur equivalent of \$440,000.

2. For a loan to the Government of Iceland to promote the economic development of Iceland under Section 104 (g) of the Act, as amended, the kronur equivalent of \$1.76 million, for financing such projects to promote economic development, including projects not heretofore included in plans of the Government of Iceland as may be mutually agreed, the terms and conditions of which will be included in the supplemental agreement between the two Governments. It is understood that the loan will be denominated in United States dollars, with payment of principal and interest to be made in kronur at the applicable exchange rate, as defined in the loan agreement, or, at the option of the Government of Iceland, in United States dollars. It is further understood that loan funds shall be disbursed only after prior agreement as to the uses of such loan funds. In the event the kronur set aside for loans to the Government

of Iceland 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 kronur for loan purposes, the Government of the United States of America may use the kronur for any other purpose authorized by Section 104 of the Act, as amended.

To the extent that the total of kronur accruing to the Government of the United States of America as a consequence of sales made pursuant to this Agreement is less than the equivalent of \$2.2 million, the amount available for loans to the Government of Iceland will be reduced by an equivalent amount; to the extent that the total exceeds the kronur equivalent of \$2.2 million, 20 percent of the excess will be available for the use of the Government of the United States of America and 80 percent for loans to the Government of Iceland under Section 104 (g).

Article III

DEPOSIT OF KRONUR

Kronur will be deposited 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 the United States flag vessels be used) 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 Government of the United States of America, as provided in the purchase authorizations.

Article IV

GENERAL UNDERTAKINGS

The Government of Iceland agrees that it will take all possible measures to prevent the resale or transshipment to other countries, or the use for other than domestic purposes (except where such resale, transshipment or use is specifically approved by the Government of the United States of America), of the surplus agricultural commodities purchases 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 Iceland of these or like commodities.

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 disrupt normal patterns of commercial trade with friendly countries.

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.

The Government of Iceland 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

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 Reykjavik this third day of March 1959.

For the Government
of the United States of America :
John J. MUCCIO

For the Government
of Iceland :
Gudm. I. GUDMUNDSSON

MEMORANDUM

The following understandings were reached in the course of negotiations between representatives of the Governments of the United States and of Iceland with respect to the maintenance of usual marketings in Iceland of commodities sold under the Agricultural Commodities Agreement, signed today,¹ and to other undertakings of the Government of Iceland on which this agreement is based.

1. The Government of Iceland will provide facilities for Icelandic importers to purchase, during the period covered by the sales agreement, at least 1,500 tons of wheat and/or wheat flour from the United States and other friendly countries in order to maintain its usual marketings.

In addition, at least the following amounts of commodities will be imported from the United States during the period covered by the agreement and financed from funds other than those provided for in the agreement :

Feed and feed grains	10,000 metric tons
Tobacco and Tobacco products	\$350,000
Soybean and/or cottonseed oil	100 metric tons
Cotton and/or cotton products	\$500,000

2. The Government of Iceland undertakes not to resell to third countries or permit to be resold to third countries any grains, fruit, cotton or tobacco acquired from foreign countries during 1959.

3. If it should be the intention of the Government of Iceland to send cotton supplied under the Agricultural Commodities Agreement to a third country for processing, the Government of Iceland will see to it that the resulting processed cotton textiles will not interfere with the usual marketings in Iceland of the United States or other countries acceptable to the United States. Assurances will be obtained from third countries that the cotton will not displace or be charged against usual marketings of the United States in that country, and that the cotton or an equivalent amount thus supplied will be returned to Iceland in processed form.

It is understood that the Government of Iceland may, at its discretion, arrange for the processing in the United States at its own expense of any leaf tobacco, and for the grinding of barley.

4. As long as there is no change in the present Icelandic Exchange Rate System, the rate of 16.32 kronur per U. S. Dollar plus the 55 percent exchange surcharge shall be considered the rate of exchange for U. S. Dollars and generally applicable to import transactions.

¹ See p. 262 of this volume.

5. The Government of Iceland assures that any taxes collected in connection with the import of commodities under this agreement will not be used for export promotion.

6. The Government of Iceland undertakes to keep the United States Embassy informed as to the operations of the program, in particular, to supply the same information as to arrivals and unloadings of commodities by ship, assurances regarding re-export, and progress in meeting usual marketing requirements, as was supplied under the 1958 program.

7. With respect to paragraph 2 of Article II :

Local currency will be advanced or reimbursed to the Government of Iceland for financing agreed projects under paragraph 2 Article II of the Agricultural Commodities Agreement upon the presentation of such documentation as the Embassy of the United States may specify. The Government of Iceland shall maintain or cause to be maintained books and records adequate to identify the goods and services financed for agreed projects pursuant to Article I 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 Embassy, 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 Government of Iceland shall enable the Embassy to observe and review agreed projects and the utilization of goods and services financed under the projects, and shall furnish to the Embassy all such information as it shall reasonably request concerning the above-mentioned matters and the expenditures related thereto. The Government of Iceland 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 Iceland for purposes related to agreed projects.

If the Embassy determines that any disbursement under paragraph 2 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 Iceland, 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 Iceland, or is in violation of any applicable laws or regulations of the United States Government, the Government of Iceland shall pay to the Embassy as may be requested by it, an amount in local currency not to exceed the amount of such disbursement. Where any payment is made by the Government of Iceland to the Embassy pursuant to the preceding sentence on the basis of a disbursement which has been charged as an advance under the line

of credit established by the loan agreement, the total amount charged as advances under the line of credit shall be reduced by the amount of such payment.

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

J. J. M.

G. I. G.