

No. 4900

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**UNITED STATES OF AMERICA  
and  
CEYLON**

**Agricultural Commodities Agreement under Title I of the  
Agricultural Trade Development and Assistance Act,  
as amended (with exchange of notes). Signed at  
Colombo, on 13 March 1959**

*Official text: English.*

*Registered by the United States of America on 3 October 1959.*

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**ÉTATS-UNIS D'AMÉRIQUE  
et  
CEYLAN**

**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 échange de notes). Signé à Colombo, le 13 mars  
1959**

*Texte officiel anglais.*

*Enregistré par les États-Unis d'Amérique le 3 octobre 1959.*

No. 4900. AGRICULTURAL COMMODITIES AGREEMENT<sup>1</sup>  
BETWEEN THE GOVERNMENT OF THE UNITED  
STATES OF AMERICA AND THE GOVERNMENT OF  
CEYLON UNDER TITLE I OF THE AGRICULTURAL  
TRADE DEVELOPMENT AND ASSISTANCE ACT, AS  
AMENDED. SIGNED AT COLOMBO, ON 13 MARCH 1959

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

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, unduly disrupt world prices of agricultural commodities, or normal patterns of commercial trade with friendly countries;

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

Considering that the Ceylon 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, as specified below, of surplus agricultural commodities to Ceylon 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 CEYLON RUPEES

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

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<sup>1</sup> Came into force on 13 March 1959, upon signature, in accordance with article VI.

<i>Commodity</i>	<i>Amount (Millions)</i>
Wheat flour . . . . .	4.2
Rice . . . . .	2.9
Ocean transportation . . . . .	1.5
	TOTAL \$8.6

Purchase authorizations will be issued not later than ninety (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*), (*f*), (*h*), (*i*), (*k*), (*l*), (*m*), (*n*) and (*o*) of Section 104 of the Act, or under any of such sub-sections, the Ceylon rupee equivalent of \$1.68 million. Uses under sub-section (*k*), (*l*), (*m*), (*n*) and (*o*) are subject to legislative action by the Congress of the United States.

2. For loans to be made by the Export-Import Bank of Washington under Section 104 (*e*) of said Act and for administrative expenses of the Export-Import Bank of Washington in Ceylon incident thereto the rupee equivalent of \$2.20 million, but not more than 25 percent of the currencies received under the agreement. 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 Ceylon for business development and trade expansion in Ceylon and to United States firms and Ceylon 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 Central Bank of Ceylon, 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 Ceylon acting through the Central Bank of Ceylon. The Governor of the Central Bank of Ceylon, or his designate, will act for the Government of Ceylon, 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 Central Bank of Ceylon 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 Central Bank of Ceylon 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 Ceylon 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 Central Bank of Ceylon will indicate to the Export-Import Bank whether or not the Central Bank of Ceylon has any objection to the proposed loan. Unless within the sixty-day period the Export-Import Bank has received such a communication from the Central Bank of Ceylon it shall be understood that the Central Bank of Ceylon has no objection to the proposed loan. When the Export-Import Bank approves or declines the proposed loan, it will notify the Central Bank of Ceylon.

3. For a grant to the Government of Ceylon under sub-section (e) of Section 104 of the Act, the rupee equivalent of not more than \$1.29 million for financing such projects to promote economic development, including projects not heretofore included in plans of the Government of Ceylon, as may be mutually agreed upon, with emphasis on non self-liquidating projects particularly in health and education.

4. For a loan to the Government of Ceylon under sub-section (g) of Section 104 of the Act, the rupee equivalent of not more than \$3.43 million, for financing such projects to promote economic development, including projects not heretofore included in plans of the Government of Ceylon, as may be mutually agreed upon. 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 agree-

ment. The terms and conditions of the loan and other provisions will be set forth in a supplemental loan agreement between the two Governments.

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 rupees equivalent of \$8.6 million the amount available for a loan to the Government of Ceylon under Section 104 (g) may be reduced by the amount of such difference; in the event the total rupee deposit exceeds the equivalent of \$8.6 million, 55 percent may be available for the loan under 104 (g) and 45 percent for any use or uses authorized under Section 104 of the Act as determined by the Government of the United States of America.

In the event that the rupees set aside for grants and loans under paragraphs 4 and 5 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 purpose authorized by Section 104 of the Act.

### *Article III*

#### DEPOSIT OF CEYLON RUPEES

Ceylon rupees shall 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 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 United States of America, as provided in the purchase authorizations.

### *Article IV*

#### GENERAL UNDERSTANDINGS

The Government of Ceylon 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 of this or a like commodity to nations unfriendly to the United States of America.

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 Ceylon 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 Colombo, this 13th day of March, 1959.

For the Government  
of the United States of America :  
Lampton BERRY  
[SEAL]

For the Government  
of Ceylon :  
Stanley DE ZOYSA

## EXCHANGE OF NOTES

## I

*The American Ambassador to the Minister of Finance of Ceylon*

EMBASSY OF THE UNITED STATES OF AMERICA

No. 324

Colombo, March 13, 1959

Dear Mr. Minister :

I have the honor to refer to discussions between our two Governments with reference to a proposed Agricultural Commodities Agreement under Title I of the United States Agricultural Trade Development and Assistance Act as amended. A copy of the proposed Agricultural Commodities Agreement is attached as Annex I<sup>1</sup> to this note.

The purpose of this note is to record supplementary understandings between our two Governments with reference to the proposed agreement :

I. With respect to Paragraph I of Article II, the Government of the United States will not use rupees accruing under the Agreement for United States expenditures under sub-sections 104 (b), (d), and (o) of the Act without prior consultation with and agreement by the Government of Ceylon.

II. With respect to Paragraph 3 of Article II, the Government of Ceylon will use the amount of local currency granted to it by the United States pursuant to Paragraph 3 of Article II of the 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 United States Operations Mission and the appropriate representatives of the Government of Ceylon.

III. With respect to paragraph 4 of Article II, the Government of Ceylon will use the amount of local currency loaned to it by the United States pursuant to a loan agreement under paragraph 4 of Article II of the Agreement for financing such projects to promote economic development as may from time to time be agreed upon between the United States Operations Mission and the appropriate representatives of the Government of Ceylon. The Government of Ceylon understands the provisions of the proposed loan agreement and will take steps to authorize the signing of such agreement in Washington at an early date.

IV. With respect to both paragraphs 3 and 4 of Article II, provisions to be used with respect to audit, inspection, documentation, refunds, and termination are as follows :

Ceylon rupees will be advanced or reimbursed to the Government of Ceylon for financing agreed projects under paragraphs 3 and 4 of Article II of the Agricultural Commodities Agreement upon the presentation of such documentation as the United

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<sup>1</sup> Not printed by the Department of State of the United States of America.

States Operations Mission may specify. The Government of Ceylon shall maintain or cause to be maintained books and records adequate to identify the goods and services financed for agreed projects pursuant to paragraphs 3 and 4 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 USOM, 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 Ceylon shall enable the USOM to observe and review agreed projects and the utilization of goods and services financed under the projects, and shall furnish to the USOM all such information as it shall reasonably request concerning the above-mentioned matters and the expenditures related thereto.

If the USOM determines that any disbursement under paragraphs 3 and 4 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 Ceylon, 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 Ceylon, or is in violation of any applicable laws or regulations of the United States Government, the Government of Ceylon shall pay to the USOM 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 Ceylon to the USOM 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 USOM shall expend funds for agreed projects only in accordance with the applicable laws and regulations of the United States Government. The USOM may decline to make further disbursements for any agreed projects if it determines that further disbursements would not fulfill the purpose of paragraphs 3 or 4 of Article II of the Agricultural Commodities Agreement.

V. With respect to Article IV it is desired that the Government of Ceylon give written assurances that imports of Title I wheat flour shall be over and above usual commercial imports of 50,000 metric tons during calendar year 1959 (in addition to the 100,000 metric tons Ceylon has agreed to import from Australia). An acceptable form of such written assurances is attached as Annex II<sup>1</sup> to this note.

VI. Reference to the United States Operations Mission in this note shall be deemed to include any successor agency of the Government of the United States of America.

VII. With respect to the proposed signing of the Agreement and delivery of the reply to this note and the written assurances referred to in Paragraph V above, I would appreciate it if you would notify me seventy-two hours in advance so that the United States Department of Agriculture will have advance notice of the date and hour of scheduled signing.

<sup>1</sup> According to the information provided by the United States of America the signed Ceylonese note is printed in lieu of Annex II; see note III, p. 68 of this volume.



The Government of the United States of America will consider the present note and your reply concurring therein as constituting a record of supplementary understandings reached between our two Governments with respect to the proposed Agricultural Commodities Agreement.

Accept, Mr. Minister, the renewed assurances of my highest consideration.

Lampton BERRY

The Honorable Stanley de Zoysa  
Minister of Finance  
Ministry of Finance  
Colombo

## II

### *The Minister of Finance of Ceylon to the American Ambassador*

MINISTRY OF FINANCE  
THE SECRETARIAT

Colombo, 13 March, 1959

Dear Mr. Ambassador,

I confirm that the record of supplementary understanding contained in your letter No. 234 of March 13, 1959 is correct and that this exchange of letters constitutes a supplementary understanding reached between our two Governments with respect to the proposed Agricultural Commodities Agreement.

Accept, Your Excellency, the renewed assurances of my highest consideration.

Stanley DE ZOYSA  
Minister of Finance

His Excellency Mr. James Lampton Berry  
Ambassador of the United States in Ceylon

## III

*The Minister of Finance of Ceylon to the American Ambassador*

MINISTRY OF FINANCE  
THE SECRETARIAT

Colombo, 13 March, 1959

Excellency :

I have the honour to refer to the Agricultural Commodities Agreement between the Government of the United States of America and the Government of Ceylon signed today.<sup>1</sup>

I wish to confirm my Government's understanding that imports of wheat flour under Title I of the Act shall be over and above usual commercial imports from free world sources during calendar year 1959 of not less than 50,000 metric tons in addition to the quantities agreed upon by Ceylon in its bilateral arrangements with Australia.

Accept, Excellency, the assurances of my highest consideration.

Stanley DE ZOYSA  
Minister of Finance

His Excellency Mr. James Lampton Berry  
Ambassador of the United States in Ceylon

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<sup>1</sup> See p. 52 of this volume.