

No. 4992

**UNITED STATES OF AMERICA
and
INDONESIA**

**Agricultural Commodities Agreement under Title I of the
Agricultural Trade Development and Assistance Act,
as amended (with exchange of notes). Signed at
Djakarta, on 29 May 1959**

Official text : English.

Registered by the United States of America on 28 December 1959.

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

**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 Djakarta, le 29 mai 1959**

Texte officiel anglais.

Enregistré par les États-Unis d'Amérique le 28 décembre 1959.

No. 4992. AGRICULTURAL COMMODITIES AGREEMENT¹
BETWEEN THE GOVERNMENT OF THE UNITED
STATES OF AMERICA AND THE GOVERNMENT OF
THE REPUBLIC OF INDONESIA UNDER TITLE I OF
THE AGRICULTURAL TRADE DEVELOPMENT AND
ASSISTANCE ACT, AS AMENDED. SIGNED AT DJAKAR-
TA, ON 29 MAY 1959

The Government of the United States of America and the Government of the Republic of Indonesia :

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 Indonesian rupiah of agricultural commodities produced in the United States will assist in achieving such an expansion of trade ;

Considering that the Indonesian rupiah 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 Indonesia pursuant to Title I of the Agricultural Trade Development and Assistance Act of 1954, 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 INDONESIAN RUPIAH

Subject to the issuance by the Government of the United States of America and acceptance by the Government of the Republic of Indonesia of purchase authorizations, the Government of the United States of America undertakes to finance

¹ Came into force on 29 May 1959, upon signature, in accordance with article VI.

the sale for rupiah to purchasers authorized by the Government of the Republic of Indonesia of the following agricultural commodities determined to be surplus pursuant to Title I of the Act, in the amounts indicated :

<i>Commodity</i>	<i>Value (million)</i>
Wheat flour	\$ 5.0
Rice	7.2
Cotton	23.0
Nonfat dry milk	2.0
Ocean transportation	3.1
TOTAL	<u>\$ 40.3</u>

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 rupiah accruing from such sale and other relevant matters.

Article II

USES OF INDONESIAN RUPIAH

The two Governments agree that the rupiah 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 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 Indonesia incident thereto the rupiah equivalent of \$10 million, but not more than 25 % of the currencies received under the Agreement.
2. For loans and grants to the Government of the Republic of Indonesia to promote the economic development of Indonesia under Section 104 (g) and 104 (e) of the Act, the rupiah equivalent of \$24.2 million, for financing such projects to promote economic development, including projects not heretofore included in plans of the Government of Indonesia as may be mutually agreed, the terms and conditions of which will be included in the supplemental agreements 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 rupiah at the applicable exchange rate, as defined in the loan agreement. 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 rupiah set aside for

loans and grants to the Government of Indonesia 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 rupiah for such purposes, the Government of the United States of America may use the rupiah for any other purpose authorized by Section 104 of the Act, excluding 104 (c).

3. For the United States expenditures under sub-sections (a), (b), (f), (h), (i), (k), (l), (m), (n) and (o), of Section 104 of the Act, or under any of such sub-sections, the Indonesian rupiah equivalent of \$5.4 million. Uses under sub-sections (k), (l), (m), (n), and (o) are subject to legislative action of the Congress of the United States of America.
4. To provide assistance of the types provided for under sub-section 104 (j) of the Act, an amount not to exceed the rupiah equivalent of \$0.70 million.

To the extent that the total of \$40.3 million equivalent 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 \$40.3 million, the amount available for 104 (g) loans and 104 (e) grants to the Government of the Republic of Indonesia will be reduced by an equivalent amount and proportionately between 104 (g) loans and 104 (e) grants; to the extent that the total exceeds the rupiah equivalent of \$40.3 million, 15 % of the excess will be available for the use of the Government of the United States of America, 60 % for loans and grants to the Government of the Republic of Indonesia under Sections 104 (g) and 104 (e), and 25 % for loans under Section 104 (e).

Article III

DEPOSIT OF INDONESIAN RUPIAH

The deposit of rupiah 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 disbursements 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 the Republic of Indonesia 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 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 Indonesia 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 the Republic of Indonesia 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 Djakarta this twenty-ninth day of May 1959.

For the Government of the United States of America :

Howard P. JONES

Ambassador Extraordinary and Plenipotentiary

For the Government of the Republic of Indonesia :

HARDI

Acting Minister of Foreign Affairs

EXCHANGE OF NOTES

I

No. 777

Djakarta, May 29, 1959

Excellency :

I have the honor to refer to the Agricultural Commodities Agreement signed today¹ between representatives of our two Governments under which the Government of the United States of America undertakes to finance the delivery to the Government of the Republic of Indonesia of \$40.3 million of agricultural commodities and to inform Your Excellency of the following :

In order that the above-mentioned delivery of agricultural commodities should not unduly disrupt world prices of agricultural commodities, displace usual marketings of the United States in these commodities, or impair trade relations among friendly nations, I have the honor to propose that during the calendar year 1959 the Government of the Republic of Indonesia will import with its own foreign exchange resources the following : 150,000 metric tons of wheat equivalent, including 16,000 metric tons from the United States ; 17,000 bales of cotton from the United States ; and 700 metric tons of nonfat dry powdered milk from exporting countries friendly to the United States. All the above quantities shall be purchased in addition to those quantities to be obtained pursuant to the cited Agricultural Commodities Agreement.

I shall appreciate receiving Your Excellency's confirmation of the above understanding.

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

Howard P. JONES

His Excellency Dr. Hardi
Acting Minister of Foreign Affairs
Djakarta

¹ See p. 86 of this volume.

II

KEMENTERIAN LUAR NEGERI
REPUBLIK INDONESIA¹

No. (1)

Djakarta, May 29, 1959

Excellency :

I have the honour to acknowledge receipt of Your Excellency's note dated May 29, 1959, which reads as follows :

[See note I]

I have the honour to confirm that the above understanding is correct.

Accept, Excellency, the assurances of my highest consideration.

HARDI

Minister of Foreign Affairs, a.i.

His Excellency Howard P. Jones
Ambassador of the United States of America
Djakarta

III

No. 778

Djakarta, May 29, 1959

Excellency :

I have the honor to refer to the Agricultural Commodities Agreement signed today between the Government of the United States of America and the Government of the Republic of Indonesia and, with regard to rupiah 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 :

With respect to paragraph 1 of Article II :

Loans to be made by the Export-Import Bank of Washington under that portion of Section 104 (e) of the Agricultural Trade Development and Assistance Act, as amended, added by the Act of August 13, 1957, will be in accordance with the provisions of the Indonesian Foreign Capital Investment Law of October 27, 1958 No. 78.

I shall appreciate Your Excellency's confirmation of the above understanding.

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

Howard P. JONES

His Excellency Dr. Hardi
Acting Minister of Foreign Affairs
Djakarta

¹ Ministry for Foreign Affairs.
Republic of Indonesia.

IV

KEMENTERIAN LUAR NEGERI
REPUBLIK INDONESIA¹

No. (2)

Djakarta, May 29, 1959

Excellency :

I have the honour to acknowledge receipt of Your Excellency's note dated May 29, 1959, which reads as follows :

[See note III]

I have the honour to confirm that the above understanding is correct.

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

HARDI
Minister of Foreign Affairs, a.i.

His Excellency Howard P. Jones
Ambassador of the United States of America
Djakarta

V

No. 779

Djakarta, May 29, 1959

Excellency :

I have the honor to refer to the Agricultural Commodities Agreement signed today between the Government of the United States of America and the Government of the Republic of Indonesia and, with regard to the rupiah accruing to uses under Article II, state that the understanding of the Government of the United States of America is as follows :

With respect to paragraph 2 of Article II :

1. The Government of the Republic of Indonesia will use the rupiah equivalent of 10.0 million United States dollars of the amount provided pursuant to paragraph 2 of Article II of the Agricultural Commodities Agreement for loans to finance 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 the Republic of Indonesia.
2. The Government of the Republic of Indonesia will use the rupiah equivalent of 14.2 million United States dollars granted to it by the Government of the United States of America pursuant to Article II, paragraph 2 of the Agricul-

¹ Ministry for Foreign Affairs,
Republic of Indonesia.

tural Commodities Agreement for grants to finance such projects to promote economic development and trade between nations, with due regard to non-self-liquidating projects, particularly in health and education (including projects not heretofore included in the plans of the Government of the Republic of Indonesia) as may from time to time be agreed upon by the United States Operations Mission and the appropriate representatives of the Government of the Republic of Indonesia.

I shall appreciate receiving Your Excellency's confirmation of the above understanding.

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

Howard P. JONES

His Excellency Dr. Hardi
Acting Minister of Foreign Affairs
Djakarta

VI

KEMENTERIAN LUAR NEGERI
REPUBLIK INDONESIA¹

No. (3)

Djakarta, May 29, 1959

Excellency :

I have the honour to acknowledge receipt of Your Excellency's note dated May 29, 1959, which reads as follows :

[See note V]

I have the honour to confirm that the above understanding is correct.

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

HARDI
Minister of Foreign Affairs, a.i.

His Excellency Howard P. Jones
Ambassador of the United States of America
Djakarta

¹ Ministry for Foreign Affairs.
Republic of Indonesia.

VII

No. 780

Djakarta, May 29, 1959

Excellency :

I have the honor to refer to the Agricultural Commodities Agreement signed today between the Government of the United States of America and the Government of the Republic of Indonesia and, with regard to rupiah 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 :

With respect to paragraph 3 of Article II :

1. The Government of the Republic of Indonesia will provide facilities for the conversion of up to the rupiah equivalent of \$200,000 into other currencies. This facility is needed for the purpose of securing funds to finance agricultural market development activities of the Government of the United States of America in other countries.
2. It is also understood that the Government of the United States of America may utilize rupiah to procure in Indonesia goods and services needed in connection with agricultural market development projects and activities in other countries as permitted by applicable existing provisions of Indonesian law and regulations.
3. It is also understood that the Government of the United States of America may utilize rupiah in Indonesia to pay for international travel originating either in Indonesia or in the United States, including connecting travel.

I shall appreciate receiving Your Excellency's confirmation of the above understanding.

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

Howard P. JONES

His Excellency Dr. Hardi
Acting Minister of Foreign Affairs
Djakarta

VIII

KEMENTERIAN LUAR NEGERI
REPUBLIK INDONESIA¹

No. (4)

Djakarta, May 29, 1959

Excellency :

I have the honour to acknowledge receipt of Your Excellency's note dated May 29, 1959, which reads as follows :

[See note VII]

I have the honour to confirm that the above understandings are correct.

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

HARDI
Minister of Foreign Affairs, a.i.

His Excellency Howard P. Jones
Ambassador of the United States of America
Djakarta

IX

No. 781

Djakarta, May 29, 1959

Excellency :

I have the honor to refer to the Agricultural Commodities Agreement signed today between the Government of the United States of America and the Government of the Republic of Indonesia and in particular to Article III of the Agreement concerning the deposit of rupiah against dollar sales value of commodities purchased under the Agreement.

I wish to confirm my Government's understanding of the agreement reached in conversations which have taken place between representatives of our Governments with reference to deposits of rupiah referred to in Article III of the Agreement. As long as there is no change in the present exchange system of Indonesia, deposits of rupiah under Article III against commodities to be purchased will be made at the Category I rate of 37.848 rupiah per dollar. In the event of a change in exchange rates or the exchange system of Indonesia before the dollar disbursements referred to in Article III are completed, the new exchange rate, or rates,

¹ Ministry for Foreign Affairs.
Republic of Indonesia.

for deposits under Article III, to be applicable from the date of such change, will be determined by mutual agreement.

I shall appreciate receiving Your Excellency's confirmation of the above understanding.

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

Howard P. JONES

His Excellency Dr. Hardi
Acting Minister of Foreign Affairs
Djakarta

X

KEMENTERIAN LUAR NEGERI
REPUBLIK INDONESIA¹

No. (5)

Djakarta, May 29, 1959

Excellency :

I have the honour to acknowledge receipt of Your Excellency's note dated May 29, 1959, which reads as follows :

[See note IX]

I have the honour to confirm that the above understanding is correct.

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

HARDI
Minister of Foreign Affairs, a.i.

His Excellency Howard P. Jones
Ambassador of the United States of America
Djakarta

XI

No. 782

The Embassy of the United States of America presents its compliments to the Ministry of Foreign Affairs of the Republic of Indonesia and has the honor to refer to the Agricultural Commodities Agreements of March 2, 1956² and May 29, 1959,³ and with respect to the local currencies to be advanced or reimbursed to the Government of Indonesia for the financing of certain projects in accordance with these

¹ Ministry for Foreign Affairs.
Republic of Indonesia.

² United Nations, *Treaty Series*, Vol. 271, p. 345, and Vol. 335, p. 328.

³ See p. 86 of this volume.

agreements on a loan or grant basis, states the understanding of the Government of the United States is as follows :

Provisions to be used with respect to audit, inspection, documentation, refunds and termination are as follows :

Local currency will be advanced or reimbursed to the Government of Indonesia for financing agreed projects under Paragraph 1 (b) of Article II of the Agricultural Commodities Agreement of March 2, 1956 and Paragraph 2 of Article II of the Agricultural Commodities Agreement of May 29, 1959 upon the presentation of such documentation as the U.S. Operations Mission may specify. The Government of Indonesia shall maintain or cause to be maintained books and records adequate to identify the goods and services financed for agreed projects pursuant to paragraph 1 (b) of Article II of the Agricultural Commodities Agreement of March 2, 1956 and paragraph 2 of Article II of the Agricultural Commodities Agreement of May 29, 1959, 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 Indonesia 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 USOM all such information as it shall reasonably request concerning the above mentioned matters and the expenditures related thereto. The Government of Indonesia 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 Indonesia for purposes related to agreed projects.

If the USOM determines that any disbursement under Paragraph 1 (b) of Article II of the Agricultural Commodities Agreement of March 2, 1956 and Paragraph 2 of Article II of the Agricultural Commodities Agreement of May 29, 1959 made by it for agreed projects is not supported by the documentation submitted by the Government of Indonesia, is not made in accordance with the terms of these agreements or any applicable agreement or arrangement between the Government of the United States and the Government of Indonesia, or is in violation of any applicable laws or regulations of the United States Government, the Government of Indonesia 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 Indonesia 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 paragraph 1 (b) of Article II of the Agricultural Commodities Agreement of March 2, 1956, or Paragraph 2 of Article II of the Agricultural Commodities Agreement of May 29, 1959, respectively.

The Embassy of the United States of America avails itself of this opportunity to renew to the Ministry of Foreign Affairs of the Republic of Indonesia the assurances of its highest consideration.

(Initialled) [illegible]

Embassy of the United States of America
Djakarta, May 29, 1959

XII

KEMENTERIAN LUAR NEGERI REPUBLIK INDONESIA¹

No. : 30i47 VI

The Ministry of Foreign Affairs of the Republic of Indonesia presents its compliments to the Embassy of the United States of America and has the honour to acknowledge receipt of the Embassy's note dated May 29, 1959, which reads as follows :

[See note XI]

The Ministry of Foreign Affairs, on behalf of the Government of the Republic of Indonesia, has the honour to confirm that the above understanding is correct.

The Ministry of Foreign Affairs of the Republic of Indonesia avails itself of this opportunity to renew to the Embassy of the United States of America the assurances of its highest consideration.

Djakarta, May 29, 1959

(Signed) [illegible]
[SEAL]

Embassy of the United States of America
Djakarta

¹ Ministry for Foreign Affairs.
Republic of Indonesia.