

No. 5164

UNITED STATES OF AMERICA
and
INDIA

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

Exchange of notes constituting an agreement amending the above-mentioned Agreement. Washington, 20 and 23 November 1959

Official text: English.

Registered by the United States of America on 7 June 1960.

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 échange de notes). Signé à Washington, le 13 novembre 1959

Échange de notes constituant un avenant à l'Accord susmentionné. Washington, 20 et 23 novembre 1959

Texte officiel anglais.

Enregistrés par les États-Unis d'Amérique le 7 juin 1960.

No. 5164. 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 13 NOVEM-
BER 1959

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 (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 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 the Act, in the amounts indicated :

¹ Came into force on 13 November 1959, upon signature, in accordance with article VI.

| <i>Commodity</i> | <i>Amount (millions)</i> |
|--|------------------------------|
| Wheat and/or flour or bulgur | \$182.0 |
| Cotton | 14.0 |
| Tobacco | 0.5 |
| Feedgrains | 4.7 |
| Ocean transportation | 37.6 |
| TOTAL | \$238.8 |

Purchase authorizations will be requested not later than 90 calendar days after the effective date of this Agreement. Purchase authorizations 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

USE 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 shall determine, for the following purposes, in the amounts shown :

1. For the United States expenditures under subsection (f) of Section 104 of the Act, the Indian rupee equivalent of \$23.9 million.
2. For the United States expenditures under subsections (a), (b), (d), (e), (h), (i), (j), (k), (l), (m), (n) and (o) of Section 104 of the Act, the Indian rupee equivalent of \$23.9 million.
3. For a grant to the Government of India under subsection (e) of Section 104 of the Act, the rupee equivalent of not more than \$95.5 million for financing such projects to promote balanced economic development as may from time to time be mutually agreed.
4. For a loan to the Government of India under subsection (g) of Section 104 of the Act, the rupee equivalent of not more than \$95.5 million, for financing such projects to promote economic development as may be mutually agreed. The terms and conditions of the loan and other provisions will be set forth in a separate 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 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, 80 percent of the excess may be available for the loan under 104 (g) and 20 percent for any use or uses authorized under Section 104 as determined by the Government of the United States of America.

In the event that agreement is not reached on the use of rupees set aside for grants and loans under paragraphs 3 and 4 of this Article within three years from the date of this Agreement the Government of the United States of America may use the rupees for any 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 arrival and condition 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 Washington, this 13th day of November, 1959.

For the Government of the United States of America :
Thomas C. MANN

For the Government of India :
Dwarka Nath CHATTERJEE

EXCHANGE OF NOTES

I

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

DEPARTMENT OF STATE
WASHINGTON

Nov. 13, 1959

Sir :

I refer to the Agricultural Commodities Agreement signed today¹ between the Government of the United States of America and the Government of India (hereinafter referred to as the Agreement) 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. With respect to Article II, Paragraph 2 of the Agreement :

(i) The Government of India will provide facilities for the conversion of the rupee equivalent of \$300,000 accruing under the subject agreement for agricultural market development purposes into currencies other than United States dollars on request of the Government of the United States of America. This facility is needed for the purpose of securing funds to finance agricultural market development activities of the Government of the United States in other countries.

The Government of the United States of America may utilize rupees in India to pay for goods and services, including international transportation needed in connection with market development and other agricultural projects and activities in India and other countries.

(ii) The rupee equivalent of \$11.95 million, but not more than 5 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 Agricultural Trade Development and Assistance Act, as amended (hereinafter referred to as 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 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

¹ See p. 288 of this volume.

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.

- (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 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.

2. With respect to Article II, paragraph 3 of the Agreement : Uses of Section 104 (e) rupees : The Government of India will use the amount of local currency granted to it by the United States pursuant to paragraph 3 for financing food reserve storage structures and facilities, and other projects to promote balanced economic development, as may from time to time be agreed upon by the Technical Cooperation Mission (hereinafter referred to as the Mission) and the authorized representatives of the Government of India. In addition to food reserve storage structures and facilities, emphasis will be placed on non-self-liquidating projects particularly in health and education, in the following sectors :

- (a) *Public Health*—Including water supply and sanitation.
- (b) *Education*—Including multi-purpose basic schools.
- (c) *Agriculture*.
- (d) *Other Economic Development Projects* consistent with the purpose of Section 104 (e) of PL 480.

3. With respect to Article II, Paragraph 4 of the Agreement : Uses of Section 104 (g) rupees : The Government of India will use the amount of local currency loaned to it by the United States under paragraph 4 of the Agreement pursuant to a loan agreement for financing such projects to promote economic development as may from time to time be agreed upon between the Mission and the authorized representatives of the Government of India, in the following sectors :

- (a) *Industry, Irrigation and Power, Transportation (including village access roads, Lending Institutions.*
- (b) *Agriculture.*
- (c) *Local Currency costs of U.S. financed projects:* e.g., where U.S. providing in whole or in part directly or indirectly through Development Loan Fund, Export-Import Bank, or other agencies, foreign exchange costs related thereto.
- (d) *Other Economic Development Projects* consistent with the purpose of Section 104 (g) of the Act.

4. It is agreed that any goods delivered or services rendered after the date of this agreement for projects within categories (a), (b) and (c) under paragraphs 2 and 3 above which may later be approved by the United States will be eligible for financing from currency granted or loaned to the Government of India under Article II paragraphs 3 and 4 of the Agreement.

5. With regard to the rupees accruing to uses indicated under Article II of the Agreement, the understanding of the Government of the United States of America with respect to both paragraphs 3 and 4 of Article II is as follows :

Local currency will be advanced or reimbursed to the Government of India for financing agreed projects under paragraphs 3 and 4 of Article II of the Agreement upon the presentation of such documentation as the 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 3 and 4 of Article II of the 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 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 Government of India shall enable the Mission to observe and review agreed projects and the utilization of goods and services financed under the projects, and shall furnish to the 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 Mission determines that any disbursement under paragraphs 3 and 4 of Article II of the 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 Mission as may be requested by it, an amount of local currency not to exceed the amount of such disbursement. Where any payment is made by the Government of India to the Mission 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 Mission shall expend funds for agreed projects only in accordance with the applicable laws and regulations of the United States Government. The Mission may decline to make further disbursements for any agreed projects if it determines that further disbursements would not fulfill the purpose of paragraphs 3 and 4 of Article II of the Agreement.

6. I wish to confirm my Government's understanding that imports of agricultural commodities under Title I of the Act shall be over and above usual commercial imports from free world sources during U.S. fiscal year 1960 of not less than 400,000 MT of wheat, and 350,000 bales of cotton.

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.

For the Secretary of State :

Thomas C. MANN

The Honorable D. N. Chatterjee
Chargé d'Affaires ad interim of India

II

*The Chargé d'Affaires ad interim of India to the Assistant Secretary of State for
Economic Affairs*

EMBASSY OF INDIA
WASHINGTON, D. C.

13th November, 1959

Sir,

I have the honour to refer to Your Excellency's letter of today's date which reads as follows :

[See note I]

I have the honour to inform you that the contents of your letter represent the understanding of the Government of India.

I would request Your Excellency to accept the renewed assurances of my high consideration.

Dwarka Nath CHATTERJEE
Chargé d'Affaires

The Honourable Thomas C. Mann
Assistant Secretary of State

EXCHANGE OF NOTES CONSTITUTING AN AGREEMENT¹
AMENDING THE AGRICULTURAL COMMODITIES
AGREEMENT OF 13 NOVEMBER 1959² BETWEEN THE
UNITED STATES OF AMERICA AND INDIA. WASHING-
TON, 20 AND 23 NOVEMBER 1959

I

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

DEPARTMENT OF STATE
WASHINGTON

November 20, 1959

Sir :

I refer to the Agricultural Commodities Agreement entered into by our two Governments on November 13, 1959² providing for the financing of certain agricultural commodities under Title I of the Agricultural Trade Development and Assistance Act, as amended.

I propose that Article I of the Agreement of November 13, 1959 be amended by adding rice in the amount of \$16.5 million; that the amount of ocean transportation be increased from \$37.6 million to \$39.6 million and that the total value of the Agreement be increased from \$238.8 million to \$257.3 million.

I further propose that the dollar figures given in the following paragraphs of Article II of the Agreement of November 13, 1959 be increased as indicated hereafter : That in numbered paragraphs 1 and 2 the figure \$23.9 million be increased to \$25.75 million; that in numbered paragraphs 3 and 4 the figure \$95.5 million be increased to \$102.9 million; that in the penultimate paragraph the figure \$238.8 million be increased to \$257.3 million.

I also refer to the exchange of notes of November 13, 1959³ with regard to the rupees accruing to uses indicated under Article II of the Agricultural Commodities Agreement of that date and to propose that the figure \$11.95 million in subparagraph (ii) of numbered paragraph 1 of those notes be increased to \$12.88 million.

¹ Came into force on 23 November 1959 by the exchange of the said notes.

² See p. 288 of this volume.

³ See p. 296 of this volume.

If you concur in the foregoing, I propose that this note and your reply thereto shall constitute an Agreement between our two Governments to enter into force on the date of your note in reply.

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

For the Secretary of State :
Clarence W. NICHOLS

The Honorable D. N. Chatterjee
Chargé d'Affaires ad interim of India

II

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

EMBASSY OF INDIA
WASHINGTON, D. C.

23rd November, 1959

Sir,

I am to refer to your letter which reads as follows :

[See note I]

I am to say on behalf of the Government of India that I concur in the foregoing.

Accept, Sir, the assurances of my high consideration.

Dwarka Nath CHATTERJEE
Chargé d'Affaires

The Honourable Secretary of State
Washington, D. C.