

No. 5384

**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 Wash-
ington, on 4 May 1960**

Official text: English.

Registered by the United States of America on 7 October 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 4 mai 1960**

Texte officiel anglais.

Enregistré par les États-Unis d'Amérique le 7 octobre 1960.

No. 5384. 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 4 MAY
1960

The Government of the United States of America and the Government of India;

Recognizing the unique opportunity that now exists for a sustained cooperative effort undertaken by both Governments to ensure the continuing development and progress of the agricultural sector of India's economy;

Recognizing that the United States, by undertaking for the first time a four-year program of sharing its abundance of food grains—while the Government of India devotes its energies and resources toward achieving agricultural self-sufficiency—can make a significant contribution to India's third five-year plan and to her efforts to meet current food requirements, establish food reserves, increase agricultural production and stabilize food prices;

Considering that the Indian rupees accruing from such purchase will be utilized in a manner beneficial to both countries;

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

Desiring to set forth the understandings which will govern the sales, as specified below, 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 such trade in such commodities;

Have agreed as follows :

¹ Came into force on 4 May 1960, upon signature, in accordance with article VI.

Article I

SALES FOR RUPEES

1. Subject to the availability of commodities for programming under the Act and 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 sales up to the value \$319 million, for rupees to purchasers authorized by the Government of India, of the following agricultural commodities determined to be surplus pursuant to the Act, of the amounts indicated :

<i>Commodity</i>	<i>Export market value (Millions)</i>
A. <i>For consumption:</i>	
Wheat and wheat products	\$723.75
B. <i>For reserves:</i>	
Wheat and wheat products	241.25
Rice	116.00
C. <i>Ocean transportation</i>	195.00
	TOTAL \$1,276.00

The provisions of this Agreement, as applied to the balance of the amounts indicated in the above schedule, shall not become effective until January 1, 1961, and shall become effective then only in the event that the United States Government on or after January 1, 1961, so notifies the Government of India.

2. Applications for purchase authorizations for \$319 million, including \$29 million worth of rice for reserves, will be made within 90 calendar days after the effective date of this Agreement for procurement during United States fiscal year 1961 in the case of wheat and prior to December 31, 1960 in the case of rice. The amount for subsequent years will be determined on the basis of annual review to be made by the two Governments prior to the beginning of each United States fiscal year 1962-64. The reviews shall take into account United States stocks position, changes in India's production, consumption, and stocks of food grains, other imports from the United States and countries friendly to the United States, feasibility of barter for strategic or other materials as a means of providing a portion of India's food grain requirements, storage facilities, the extent to which agreement has been reached on the use of grant and loan funds, and other related matters. Purchase authorizations will include provisions relating to the sale and delivery of commodities, including the classes, types and/or varieties of food grain, the time and circumstances of deposit of the rupees accruing from such sale, and other relevant matters.

3. The United States recognizes the desire of India to accumulate, as quickly as possible, a substantial part of the one million ton reserve stock of rice provided for in this Agreement to assist in stabilizing the internal markets for this commodity in India. Under this Agreement the first annual review of rice availabilities will be made in August 1960. At that time consideration will be given to whether in the light of the United States supplies of rice available for Title I disposal, India's production, consumption and stocks of food grains, other imports from the United States and countries friendly to the United States, India's storage capacity, and other related factors, any increase would be possible in the portion of the total rice programmed which is currently planned for procurement during the first year.

4. The two Governments agree that the issuance of purchase authorizations for wheat and rice providing for purchase after June 30, 1961, shall be dependent upon the determination by the United States Government that these commodities are in surplus supply and available under Title I of the Act at that time. The United States Government shall have the right to terminate the financing of further sales under this Agreement of any commodity if it determines at any time after June 30, 1961, that such action is necessitated by the existence of an international emergency.

Article II

USES OF RUPEES

1. The two Governments agree that the rupees accruing to the Government of the United States of America as a consequence of 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 :

- (a) For United States expenditures under subsections (a), (b), (d), (e), (f), (h) through (r) of Section 104 of the Act or under any of such subsections, the rupee equivalent of \$200 million.
- (b) For grant to the Government of India under subsection (e) of Section 104 of the Act, the rupee equivalent of not more than \$538 million for financing such projects to promote balanced economic development as may from time to time be mutually agreed.
- (c) For loan to the Government of India under subsection (g) of Section 104 of the Act, the rupee equivalent of not more than \$538 million for financing such projects to promote balanced 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 by the two Governments.

In the event that agreement is not reached on the use of the rupees for grant or loan purposes within six years from the date of this Agreement, the Government of the United States of America may use the local currency for any purposes authorized by Section 104 of the Act.

2. 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 this Agreement is different from the rupee equivalent of \$1,276 million, the amounts available for the purposes specified in paragraph 1, Article II will be adjusted proportionately.

Article III

DEPOSIT OF RUPEES

The deposit of 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 Government of the United States of America, as provided in the purchase authorizations.

Article IV

GENERAL UNDERTAKINGS

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 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 of these or like commodities for export from India.

2. The two Governments agree that they will take reasonable precautions to assure that all sales or purchases of surplus agricultural commodities, pursuant to the Agreement will not displace usual marketings of the United States of America in these commodities, or unduly disrupt world prices of agricultural commodities or normal patterns of commercial trade with friendly countries.

3. In carrying out this Agreement, the two Governments will seek to assure, to the extent practicable, conditions of commerce permitting private traders to function effectively and will use their best endeavors to develop and extend continuous market demand for agricultural commodities.

4. The Government of India agrees to furnish, upon request of the United States of America, information on the progress of the program, particularly with respect to the arrival and condition of commodities and the provisions for the maintenance of usual marketings, 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 matter relating to the application of this Agreement or to the operation of arrangements carried out pursuant to this Agreement.

Article VI

ENTRY INTO FORCE

The 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 in duplicate this fourth day of May 1960.

For the Government of the United States of America :

Dwight D. EISENHOWER

For the Government of India :

S. K. PATIL

EXCHANGE OF NOTES

I

The Acting Secretary of State to the Minister for Food and Agriculture, Government of India

DEPARTMENT OF STATE

WASHINGTON

May 4, 1960

Excellency :

I have the honor to 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, to state that the understanding of the Government of the United States of America is as follows :

¹ See p. 280 of this volume.

1. With respect to Article II, Paragraph 1 (a) of the Agreement :

(i) The Government of India will provide facilities for the conversions of the rupee equivalent of \$4 million (up to a maximum of \$1 million per year) 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 \$63.8 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 six 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.
- (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.

2. With respect to Article II, paragraphs 1 (b) and 1 (c) : Uses of Section 104 (e) and Section 104 (g) rupees : The Government of India will use the amount of rupees granted or loaned to it by the United States pursuant to paragraphs 1 (b) and 1 (c) for projects to promote economic development with emphasis upon the agricultural sector including food reserve storage structures and facilities as may from time to time be agreed upon by the authorized representatives of the United States and the authorized representatives of the Government of India, in the following sectors :

- A. Agriculture.
- B. Industry, including the production of fertilizer, irrigation and power, transport and communications, and credit institutions.
- C. Public health, education, and rehabilitation.
- D. Other economic development projects consistent with the purposes of Sections 104 (e) and 104 (g) of the Act.

The Government of India further agrees in cooperation with the Government of the United States, to coordinate the use of grant and loan funds provided for in paragraphs 1 (b) and 1 (c) of Article II with such direct dollar assistance as may be made available by the Government of the United States of America, so that both sources of financing may be channeled to specific and clearly identifiable economic development programs and projects.

3. 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 paragraph 2 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.

4. 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 1 (b) and 1 (c) of Article II is as follows :

(i) Local currency will be advanced or reimbursed to the Government of India for financing agreed projects under paragraphs 1 (b) and 1 (c) of Article II of the Agreement upon the presentation of such documentation as the United States may specify.

(ii) 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 1 (b) and 1 (c) 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 United States, 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 authorized representatives of the United States to observe and review agreed projects and the utilization of goods and services financed under the projects, and shall furnish to the United States 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.

(iii) If the United States determines that any disbursement under paragraphs 1 (b) and 1 (c) 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 Government of the United States, the Government of India shall pay to the Government of the United States, 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 India to the Government of the United States 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.

(iv) The authorized representatives of the United States shall expend funds for agreed projects only in accordance with the applicable laws and regulations of the United States Government. The United States may decline to make further disbursements for any agreed projects if it determines that further disbursements would not fulfill the purpose of paragraphs 1 (b) and 1 (c) of Article II of the Agreement.

5. I wish to confirm my Government's understanding that imports of wheat under Title I of the Act shall be over and above usual commercial imports from the United States and countries friendly to the United States during each United States fiscal year 1961-64 of not less than 400,000 MT. This figure may be adjusted or reduced on the basis of a review of India's food grain supply, financial position, and other relevant factors to be made by the two Governments prior to the beginning of each fiscal year. The first such review will be undertaken in June 1960. In the case of rice it is understood that imports under Title I shall be over and above India's present program of other imports from the United States and countries friendly to the United States during the period January-December 1960 of not less than 400,000 MT. During subsequent years of the agreement the progress and programs of the Government of India relating to total rice imports shall be taken into account in the annual review.

6. It is agreed that India shall not export wheat, wheat flour, or rice during the period covered by the Sales Agreement.

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

Douglas DILLON
Acting Secretary of State
of the United States of America

His Excellency S. K. Patil
Minister for Food and Agriculture
Government of India

II

*The Minister for Food and Agriculture, Government of India,
to the Acting Secretary of State*

EMBASSY OF INDIA
WASHINGTON, D. C.

4th May, 1960

Excellency,

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

[*See note I*]

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

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

S. K. PATIL
Minister of Food and Agriculture
Government of India

The Honourable Douglas Dillon
Acting Secretary of State
Department of State
Washington, D. C.
