

No. 5887

**UNITED STATES OF AMERICA
and
ISRAEL**

**Exchange of notes (with Memorandum of Understanding)
constituting an agricultural commodities agreement
under Title I of the Agricultural Trade Development
and Assistance Act, as amended. Tel Aviv, 10 May 1961**

Official text: English.

Registered by the United States of America on 29 September 1961.

**ÉTATS-UNIS D'AMÉRIQUE
et
ISRAËL**

**Échange de notes (avec Mémorandum d'accord) constituant
un 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. Tel-Aviv, 10 mai 1961**

Texte officiel anglais.

Enregistré par les États-Unis d'Amérique le 29 septembre 1961.

No. 5887. EXCHANGE OF NOTES CONSTITUTING AN AGRICULTURAL COMMODITIES AGREEMENT¹ BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF ISRAEL UNDER TITLE I OF THE AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT, AS AMENDED. TEL AVIV, 10 MAY 1961

I

The American Chargé d'Affaires ad interim to the Israeli Acting Minister for Foreign Affairs

THE FOREIGN SERVICE OF THE UNITED STATES OF AMERICA

Tel Aviv, May 10, 1961

No. 88

Excellency :

I have the honor to refer to conversations between representatives of our two Governments looking toward the conclusion of an Agreement involving the purchase by the Government of Israel of certain agricultural products and the utilization of the proceeds from such purchases. Our representatives have reached an understanding on the language for such an Agreement and Memorandum of Understanding that would form part of that Agreement.

AGRICULTURAL COMMODITIES AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF ISRAEL UNDER TITLE I OF THE AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT, AS AMENDED

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

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 commercial trade with friendly countries ;

¹ Came into force on 10 May 1961 by the exchange of the said notes.

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

Considering that the Israel pounds accruing from such purchase 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 Israel 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 ISRAEL POUNDS

1. Subject to the availability of commodities for programing under the Act and to issuance by the Government of the United States of America and acceptance by the Government of Israel of purchase authorizations, the Government of the United States of America undertakes to finance the sales for Israel pounds to purchasers authorized by the Government of Israel of the following agricultural commodities determined to be surplus pursuant to the Act, in the amounts indicated :

<i>Commodity</i>	<i>Export market value (million)</i>
Wheat and/or wheat flour	\$7.4
Feedgrains	7.5
Cottonseed and/or soybean oil	6.7
Nonfat dry milk7
Rice7
Tobacco2
Ocean transportation	2.7
	TOTAL \$25.9

2. Applications for purchase authorizations will be made within 90 calendar days of the effective date of this Agreement, except that applications for purchase authorizations for any commodities or amounts of commodities provided for in any amendment to this Agreement will be made within 90 days after the effective date of such amendment. Purchase authorizations will include provisions relating to the sale and delivery of commodities, the time and circumstances of deposit of the Israel pounds accruing from such sale, and other relevant matters.

3. Purchase and shipment of the commodities mentioned above will be made within 18 calendar months of the effective date of this agreement.

Article II

USES OF ISRAEL POUNDS

1. The Israel pounds 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), (f), (h), (i), (j), (k), (l), (m), (n), (o), (p), (q), and (r) of Section 104 of the Act, or under any of such subsections, ten percent of the Israel pounds accruing pursuant to this Agreement.

B. 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 Israel incident thereto, twenty percent of the Israel pounds accruing pursuant to this agreement. It is understood that :

1. 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 Israel for business development and trade expansion in Israel and to United States firms and Israel 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.
2. Loans will be mutually agreeable to the Export-Import Bank of Washington and the Government of Israel, acting through the Ministry of Finance. The Minister of Finance, or his designate, will act for the Government of Israel, and the President of the Export-Import Bank of Washington, or his designate, will act for the Export-Import Bank of Washington.
3. Upon receipt of an application which the Export-Import Bank is prepared to consider, the Export-Import Bank will inform the Ministry of Finance 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.
4. When the Export-Import Bank is prepared to act favorably upon an application, it will so notify the Ministry of Finance 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 that prevailing in Israel on comparable loans, and the maturities will be consistent with the purposes of the financing.
5. Within sixty days after the receipt of the notice that the Export-Import Bank is prepared to act favorably upon an application, the Ministry of Finance will indicate to the Export-Import Bank whether or not the Ministry of Finance has any objection to the proposed loan. Unless within the sixty-day period the Export-Import Bank has received such a communication from the Ministry of Finance, it shall be understood that the Ministry of Finance has no objection to the proposed loan. When the Export-Import Bank approves or declines the proposed loan, it will notify the Ministry of Finance.

6. In the event the Israel pounds 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 mutually agreeable to the Export-Import Bank of Washington and the Ministry of Finance, the Government of the United States of America may use the Israel pounds for any purpose authorized by Section 104 of the Act.

C. For a grant to the Government of Israel under Section 104 (e) of the Act, thirty-five percent of the Israel pounds accruing pursuant to this Agreement for financing such projects to promote balanced economic development as may from time to time be mutually agreed.

D. For a loan to the Government of Israel under Section 104 (g) of the Act for financing such projects to promote economic development, including projects not hereto fore included in plans of the Government of Israel, thirty-five percent of the Israel pounds accruing pursuant to this Agreement. The terms and conditions of the loan and other provisions will be set forth in a separate loan agreement the Export-Import Bank of Washington and the Government of Israel. In the event that agreement is not reached on the use of the Israel pounds for loan purposes within three years from the date of this Agreement, the Government of the United States of America may use the Israel pounds for any purposes authorized by Section 104 of the Act.

Article III

DEPOSIT OF ISRAEL POUNDS

1. The deposit of Israel pounds 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.

2. In the event that a subsequent Agricultural Commodities Agreement or Agreements should be signed by the two Governments under the Act, any refunds of Israel pounds which may be due or become due under this Agreement more than two years from the effective date of this Agreement would be made by the Government of the United States of America from funds available from the most recent Agricultural Commodities Agreement in effect at the time of the refund.

Article IV

GENERAL UNDERTAKINGS

1. The Government of Israel 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 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 to nations unfriendly to the United States of America.

2. The two Governments agree that they will take reasonable precautions to assure that all sales or purchases of agricultural commodities pursuant to this 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 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 Israel 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 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 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.

If the foregoing Agreement is acceptable to your Government it is understood that this note and Your Excellency's affirmative reply thereto, together with the annexed Memorandum of Understanding,¹ shall constitute an Agreement between our two Governments on this matter which shall enter into force on the date of Your Excellency's affirmative reply.

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

N. Spencer BARNES
Chargé d'Affaires ad interim

Enclosure :

Memorandum of Understanding.¹

His Excellency David Ben Gurion
Acting Minister for Foreign Affairs
of the State of Israel

¹ See p. 224 of this volume.

MEMORANDUM OF UNDERSTANDING BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF ISRAEL RELATIVE TO THE AGRICULTURAL COMMODITIES AGREEMENT DATED MAY 10, 1961¹

The Government of the United States and the Government of Israel have agreed as follows :

1. The Title I sale of surplus agricultural commodities under this Agreement is not intended to increase the availability of these or like commodities for export and is made on the condition that no exports of such commodities will be made from Israel during the period that such commodities are being imported and utilized, except as otherwise noted herein.

2. USUAL MARKETINGS AND SPECIAL CONDITIONS

Wheat—The amount of \$7.4 million (about 120,000 metric tons) will be furnished under Title I, Public Law 480, on the condition that Israel will import from free world sources as usual marketings not less than the 150,000 metric tons of wheat and/or flour in wheat equivalent during calendar year 1961 (hereinafter referred to as CY 1961), plus any usual marketing shortfall which may occur on December 31, 1960, from free world sources. Further, it is understood that Israel's exports of wheat during CY 1961 will consist only of durum wheat and will be limited to no more than 15,000 metric tons, and that the Government of Israel will procure with its own resources an amount of wheat equivalent to that exported over and above the amount to be procured as usual marketings.

Vegetable oils—The amount \$6.7 million (about 19,000 metric tons) of cottonseed and/or soybean oil will be furnished under Title I Public Law 480, on the condition that Israel will import from the United States as basic usual marketings not less than 100,000 metric tons of soybeans (or the oil equivalent of approximately 17,000 metric tons) during CY 1961. Israel may export up to 11,000 metric tons of soybean oil and 2,000 metric tons of cottonseed oil during CY 1961 provided that additional purchases of soybeans from the United States (i.e. additional to the 100,000 metric tons usual marketings) are not less than 76,000 metric tons. If soybean and cottonseed oil exports are less than 13,000 metric tons, the purchase of soybeans above the usual marketings requirements may be reduced on a proportionate basis (i.e. if such oil exports should be only 6,500 metric tons, soybean purchases above the basic usual marketings requirements may be reduced to 38,000 metric tons). Exports of cottonseed oil from Israel during CY 1961 will be limited to 2,000 metric tons and exports of all other oils during CY 1961 will be limited to 3,000 metric tons. Total vegetable oil exports by Israel during CY 1961 will not exceed 16,000 metric tons.

Nonfat dry milk—The amount of \$0.7 million (about 4,000 metric tons) will be furnished under Title I, Public Law 480, on the condition that Israel will not export dairy products derived from cow's milk while it is importing and utilizing Title I nonfat dry milk.

¹ See p. 214 of this volume.

Rice—The amount of \$0.7 million (about 6,000 metric tons) will be furnished under Title I, Public Law 480, on the condition that Israel will import from free world sources at least 9,000 metric tons of rice during CY 1961.

Tobacco—The \$0.2 million (about 120 metric tons) will be furnished under Title I, Public Law 480, on the condition that Israel will import from the United States \$150,000 worth of unmanufactured tobacco during CY 1961 as usual marketings for dollars.

3. CURRENCY USES

With respect to loans for economic development under subparagraph "D" of Article II of the Agreement, it is understood that the Government of Israel will authorize its Ambassador at Washington, immediately on signature of the Agreement, to sign a loan agreement with the Export-Import Bank. Israel pounds will be advanced or reimbursed to the Government of Israel for financing agreed projects in accordance with the terms of the project agreements and the standard provisions annexed thereto as amended for projects in Israel.

With regard to the conversion of Israel pounds into other currencies and to certain other matters relating to the use of such dollars accruing under the subject Agreement by the Government of the United States of America :

(a) The Government of Israel will, within 30 days of the date request therefor is made by the Government of the United States of America, convert Israel pounds in the equivalent value of not more than \$520,000 to other currencies for use in countries other than Israel in accordance with Section 104 (a) of the Act.

(b) The Government of the United States of America may utilize Israel pounds to procure in Israel goods and services needed in connection with agricultural market development projects and activities in other countries.

(c) The types of agricultural market development activities of mutually beneficial character to be carried out in Israel by the Government of the United States of America may include, but are not limited to, projects to promote better nutrition practices, market analysis, promotion of particular commodities, education and demonstration projects, participation in international fairs, visits of representatives of the Government of Israel, trade groups and agricultural groups to the United States of America and visits of representatives of the United States Government, trade groups and agricultural groups to Israel.

(d) The Government of the United States may utilize Israel pounds in Israel to pay for international travel originating in Israel, or originating outside Israel when involving travel to or through Israel, including connecting travel, and for air travel within the United States or other areas outside Israel when it is part of a trip in which the traveler journeys from, to or through Israel. It is understood that these funds are intended to cover only travel by persons engaged in activities financed under Section 104 of Public Law 480. In this connection, the United States representatives agreed that, whenever feasible, preference would be given to use of Israeli flag lines.

(e) The Government of Israel will, within 30 days of the date request is made by the Government of the United States of America, convert Israel pounds in the equivalent value of not more than \$500,000 to other currencies for use in countries other than Israel in accordance with Section 104 (h) of the Act.

II

*The Israeli Acting Minister for Foreign Affairs to the American Chargé d'Affaires
ad interim*

MINISTER FOR FOREIGN AFFAIRS

10 May 1961

Dear Mr. Chargé d'Affaires :

I have the honour to acknowledge receipt of your Note No. 88 of May 10, 1961, referring to conversations between representatives of our two Governments looking toward the conclusion of an Agreement involving the purchase by the Government of Israel of certain agricultural products and the utilization of the proceeds from such purchases. I am happy to note that our representatives have reached an understanding on the language for such an Agreement and for a Memorandum of Understanding that would form part of that Agreement.

[See note I]

The foregoing Agreement is acceptable to my Government, and it is understood that your Note and this reply, together with the annexed Memorandum of Understanding,¹ shall constitute an Agreement between our two Governments on this matter, which shall enter into force on the date of this Note,

David BEN GURION
Acting Minister for Foreign Affairs

Mr. N. Spencer Barnes
Chargé d'Affaires a.i.
Embassy of the United States of America
in Israel

¹ See p. 224 of this volume.