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No. 6340

**UNITED STATES OF AMERICA
and
ISRAEL**

**Agricultural Commodities Agreement under Title I of the
Agricultural Trade Development and Assistance Act,
as amended (with Memorandum of Understanding).
Signed at Washington, on 3 May 1962**

Official text: English.

Registered by the United States of America on 15 October 1962.

**ÉTATS-UNIS D'AMÉRIQUE
et
ISRAËL**

**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
mémoire d'accord). Signé à Washington, le 3 mai
1962**

Texte officiel anglais.

Enregistré par les États-Unis d'Amérique le 15 octobre 1962.

No. 6340. 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.
SIGNED AT WASHINGTON, ON 3 MAY 1962

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 ;

Considering that the purchase for Israel pounds of 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 agricultural commodities to the Government of 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 issuance by the Government of the United States of America and acceptance by the Government of Israel of purchase authorizations and to the availability of commodities under the Act at the time of exportation, the Government

¹ Came into force on 3 May 1962, upon signature, in accordance with article VI.

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 in the amounts indicated :

<i>Commodity</i>	<i>Export Market Value (Millions)</i>
Wheat	\$10.9
Feedgrains	7.0
Cottonseed and/or soybean oil	5.5
Nonfat dry milk6
Dry edible beans5
Dry edible peas3
Ocean transportation	2.7
	<u>\$27.5</u>

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 additional commodities or amounts of commodities provided for in any amendment to this Agreement will be made within 90 calendar 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 Israel pounds accruing from such sale, and other relevant matters.

3. The financing, sale and delivery of commodities under this Agreement may be terminated by either Government if that Government determines that because of changed conditions the continuation of such financing, sale or delivery is unnecessary or undesirable.

Article II

USES OF ISRAEL POUNDS

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), and (h) through (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 Agency for International Development of Washington (hereinafter referred to as "AID") under Section 104 (e) of the Act and for administrative expenses of AID 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 AID 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 Administrator of AID, or his designate, will act for AID.
- (3) Upon receipt of an application which AID is prepared to consider, AID 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 AID 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 AID is prepared to act favorably upon an application, the Ministry of Finance will indicate to AID whether or not the Ministry of Finance has any objection to the proposed loan. Unless within the sixty-day period AID 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 AID 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 AID has not approved loans or because proposed loans have not been mutually agreeable to AID 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, twenty 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 heretofore included in plans of the Government of Israel, as may be mutually agreed, fifty 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. 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 pounds for any purposes authorized by Section 104 of the Act.

Article III

DEPOSIT OF ISRAEL POUNDS

1. The amount of Israel pounds to be deposited to the account of the Government of the United States of America shall be the equivalent of the dollar sales value of the commodities and ocean transportation costs reimbursed or financed by the Government of the United States of America (except excess costs resulting from the requirement that United States flag vessels be used) converted into Israel pounds, as follows :

- (a) at the rate for dollar exchange applicable to commercial import transactions on the dates of dollar disbursements by the United States, provided that a unitary exchange rate applying to all foreign exchange transactions is maintained by the Government of Israel, or
- (b) if more than one legal rate for foreign exchange transactions exists, at a rate of exchange to be mutually agreed upon from time to time between the Government of the United States of America and the Government of Israel.

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 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 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 will 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 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.

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 in duplicate this third day of May, 1962.

For the Government of the United States of America :

James P. GRANT

For the Government of Israel :

M. GAZIT

MEMORANDUM OF UNDERSTANDING BETWEEN THE GOVERNMENT OF
THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF
ISRAEL RELATIVE TO THE AGRICULTURAL COMMODITIES AGREE-
MENT DATED MAY 3, 1962¹

The Government of the United States of America 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 \$10.9 million (about 170,000 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 125,000 metric tons of wheat and/or wheat flour in grain equivalent during calendar year 1962 (hereinafter referred to as CY 1962), plus any usual marketing shortfall which existed on December 31, 1961.

Further, it is understood that Israel's exports of wheat during CY 1962 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 of \$5.5 million (about 20,000 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 during CY 1962 as basic usual marketings not less than 17,000 metric tons of cottonseed and/or soybean oil or the soybean equivalent of this quantity of oil (100,000 metric tons) based upon an oil extraction rate of 17 %. Israel may export up to 20,000 metric tons of all types of oil during CY 1962 provided that for each ton of cottonseed and/or soybean oil exported the Government of Israel will purchase from the United States an equivalent amount of soybean figured at 17 % oil extraction in addition to the usual marketings. If, for example, Israel's exports of soybean and/or cottonseed oil should be 10,000 metric tons during CY 1962, soybean purchases above the basic usual marketing requirement will be 59,000 metric tons.

The import requirement for soybeans does not apply to Israel's exports of oils other than cottonseed and/or soybean oil.

Nonfat dry milk—The amount of \$0.6 million (about 4,000 metric tons) will be furnished under Title I, Public Law 480, on the condition that Israel will not export

¹ See p. 84 of this volume.

dairy products derived from cows' milk while it is importing and utilizing Title I nonfat dry milk. Utilization will be considered completed six months after the last Title I shipment is received in Israel.

3. *Currency Uses*

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 provide facilities for the conversion into other non-dollar currencies of the following amounts of Israel pounds : for purposes of subsection 104 (a) of the Act, two percent of the Israel pounds accruing from sales proceeds under this agreement and two percent of the interest and principal repayments under loans made pursuant to this agreement ; for purposes of subsection 104 (h) of the Act, \$600,000 worth of Israel pounds accruing from sales proceeds under this agreement.

(b) 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 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 the Agricultural Trade Development and Assistance Act, as amended. In this connection, the United States representatives agreed that, whenever feasible, preference would be given to use of Israel flag lines.

J. P. G.

M. G.