

No. 8342

**UNITED STATES OF AMERICA
and
CHILE**

**Agricultural Commodities Agreement under Title I of the
Agricultural Trade Development and Assistance Act, as
amended (with exchange of notes). Signed at Santiago,
on 27 July 1965**

Official texts : English and Spanish.

Registered by the United States of America on 29 September 1966.

**ÉTATS-UNIS D'AMÉRIQUE
et
CHILI**

**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 Santiago, le 27 juillet 1965**

Textes officiels anglais et espagnol.

Enregistré par les États-Unis d'Amérique le 29 septembre 1966.

No. 8342. AGRICULTURAL COMMODITIES AGREEMENT¹
BETWEEN THE GOVERNMENT OF THE UNITED STATES
OF AMERICA AND THE GOVERNMENT OF CHILE
UNDER TITLE I OF THE AGRICULTURAL TRADE
DEVELOPMENT AND ASSISTANCE ACT, AS AMENDED.
SIGNED AT SANTIAGO, ON 27 JULY 1965

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

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 Chilean escudos of agricultural commodities produced in the United States of America will assist in achieving such an expansion of trade ;

Considering that the Chilean escudos 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 Chile 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 CHILEAN ESCUDOS

1. Subject to issuance by the Government of the United States of America and acceptance by the Government of Chile of purchase authorizations and to the availability of the specified commodities under the Act at the time of exportation, the Government of the United States of America undertakes to finance the sales for Chilean escudos, to purchasers authorized by the Government of Chile, of the following agricultural commodities in the amounts indicated :

¹ Came into force on 23 September 1965, the date of the diplomatic note by which the Government of Chile informed the Government of the United States of America that the Agreement had been approved under its Constitutional Law, in accordance with article VI.

<i>Commodity</i>	<i>Export Market Value (millions)</i>
Wheat	\$12.11
Corn	2.93
Butteroil	1.25
Nonfat dry milk	1.41
Tobacco	2.05
	<hr/>
	TOTAL \$19.75

2. Applications for purchase authorizations will be made within 90 days after 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 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 Chilean escudos accruing from such sale, and other relevant matters.

The Government of the United States of America will finance ocean transportation costs incurred pursuant to this agreement only to the extent that such costs are higher than otherwise would be the case by reason of the requirement that approximately 50 percent by tonnage of the commodities be transported in United States flag vessels. The balance of cost for commodities required to be carried in United States flag vessels shall be paid in dollars by the Government of Chile. The Government of Chile will not be required to deposit escudos for ocean transportation financed by the Government of the United States of America.

Promptly after contracting for United States flag shipping space required to be used, and in any event not later than presentation of vessels for loading, the Government of Chile will open a letter of credit, in dollars, for the estimated cost of ocean transportation for commodities in United States flag vessels.

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 CHILEAN ESCUDOS

The Chilean escudos 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 Govern-

ment 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 proportions shown,

A. For United States expenditures under subsections (a), (b), (d), (f) and (h) through (i) of Section 104 of the Act, or under any of such subsections, 35 percent of the Chilean escudos 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 Chile incident thereto, 15 percent of the Chilean escudos 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 Chile for business development and trade expansion in Chile and to United States firms and Chilean 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 Chile, acting through the General Manager of the Central Bank of Chile (hereinafter referred to as The Central Bank). The General Manager of The Central Bank of Chile, or his designate, will act for the Government of Chile, 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 Central Bank of the identity of the applicant, the nature of the proposed business, the amount of the proposed loan, and the general purpose for which the loan proceeds would be expended.
- (4) When AID is prepared to act favorably upon an application, it will so notify The Central Bank 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 Chile on comparable loans, provided such rate is not lower than the cost of funds to the United States Treasury on comparable maturities, and the maturities will be consistent with the purpose of the financing.
- (5) Within sixty days after the receipt of the notice that AID is prepared to act favorably upon an application, The Central Bank will indicate to AID whether or not The Central Bank has any objection to the proposed loan. When AID approves or declines the proposed loan it will notify The Central Bank.
- (6) In the event the Chilean escudos set aside for loans under Section 104 (e) of the Act are not advanced before December 31, 1967, because AID has not approved

loans or because proposed loans have not been mutually agreeable to AID and The Central Bank, the Government of the United States of America may use the Chilean escudos for any purpose authorized by Section 104 of the Act.

C. For a loan to the Government of Chile under Section 104 (g) of the Acts for financing such projects to promote economic development, including projects not heretofore included in plans of the Government of Chile, as may be mutually agreed, 50 percent of the Chilean escudos 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 Chilean escudos for loan purposes under Section 104 (g) of the Act before December 31, 1967, the Government of the United States of America may use the Chilean escudos for any purpose authorized by Section 104 of the Act.

Article III

DEPOSIT OF CHILEAN ESCUDOS

1. The amount of Chilean escudos 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 financed by the Government of the United States of America converted into Chilean escudos, as follows :

- (a) at the rate applying to all foreign exchange transactions on the dates of dollar disbursement by the United States, provided that a unitary exchange rate is maintained by the Government of Chile, or
- (b) if more than one legal rate for foreign exchange transactions exist, 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 Chile.

2. The Government of the United States of America shall determine which of its funds shall be used to pay refunds of Chilean escudos which become due under this Agreement or which are due or become due under any prior agricultural commodities agreement. A reserve will be maintained under this agreement for two years from the effective date of this agreement which may be used for the payment of such refunds. Any payment out of this reserve shall be treated as a reduction in the total Chilean escudos accruing to the Government of the United States of America under this agreement.

Article IV

GENERAL UNDERTAKINGS

1. The Government of Chile will take all possible measures to prevent the resale or transshipment to other countries or the use for other than domestic purposes of the

agricultural commodities purchased pursuant to this agreement (except where such resale, transshipment or use is specifically approved by the Government of the United States of America); to prevent the export of any commodity of either domestic or foreign origin which is the same as, or like, the commodities purchased pursuant to this agreement during the period beginning on the date of this agreement and ending with the final date on which such commodities are received and utilized (except where such export is specifically approved by the Government of the United States of America); and to ensure that the purchase of commodities pursuant to this agreement does not result in increased availability of the same 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 and 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 Chile will furnish quarterly information on the progress of the program, particularly with respect to the arrival and condition of commodities, provisions for the maintenance of usual marketings, and information relating to imports and 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 on the date of the diplomatic note by which the Government of Chile informs the Government of the United States that the agreement has been approved in accordance with its Constitutional Law.

IN WITNESS WHEREOF, the respective representatives, duly authorized for the purpose, have signed the present agreement.

DONE at Santiago, in duplicate in the English and Spanish language, each text having equal authority, this 27th day of July 1965.

For the Government
of the United States of America :

Ralph A. DUNGAN
Ambassador
of the United States of America

For the Government
of Chile :

Gabriel VALDÉS SUBERCASEAUX
Minister of Foreign Affairs
of the Republic of Chile

[SEAL]

EXCHANGE OF NOTES

I

The American Ambassador to the Chilean Minister of Foreign Affairs

Santiago, July 27, 1965

No. 93

Excellency :

I have the honor to refer to the Agricultural Commodities Agreement between our two Governments signed today and to inform you of my Government's understanding of the following :

(1) In expressing its agreement with the Government of the United States of America that the above-mentioned deliveries should not unduly disrupt world prices of agricultural commodities or impair trade relations among friendly nations, the Government of Chile agrees that it will procure and import with its own resources during calendar year 1965 from the United States of America and countries friendly to it the following agricultural commodities in addition to those to be purchased under the terms of the agreement :

- (a) At least 105,000 metric tons of wheat and/or wheat flour in grain equivalent plus the 31,000 metric tons shortfall from Calendar Year 1964 usual marketings.
- (b) At least 4,000 metric tons of butter, butteroil and/or anhydrous milk fat plus the 1,000 metric tons shortfall from Calendar Year 1964 usual marketings.
- (c) At least 400 metric tons of leaf tobacco of which at least 295 metric tons shall be from the United States of America.

(2) With regard to paragraph 4 of Article IV of the agreement, the Government of Chile agrees to furnish quarterly the following information in connection with each shipment of commodities received under the agreement : the name of each vessel, the date of arrival, the port of arrival, the commodity and quantity received, the condition in which received, the date unloading was completed, and the disposition of the cargo, i.e., stored, distributed locally or, if shipped, where shipped. In addition, the Government of Chile agrees to furnish quarterly (a) a statement of measures it has taken to prevent the resale or transshipment of commodities furnished, (b) assurances that the program has not resulted in increased availability of the same or like commodities to other nations and (c) a statement by the Government showing progress made toward fulfilling commitments on usual marketings.

The Government of Chile further agrees that the above statements will be accompanied by statistical data on imports and exports by country of origin or destination of commodities which are the same as or like those imported under the agreement.

(3) The Government of Chile will provide, upon request of the Government of the United States of America, facilities for conversion into other non-dollar currencies at the brokers market rate of the following amounts of Chilean escudos for purposes of Section

104 (a) of the Act, \$395,000 worth or two percent of Chilean escudos accruing under the agreement, whichever is greater, to finance agricultural market development activities in other countries ; and for purposes of Section 104 (h) of the Act and for the purposes of the Mutual Educational and Cultural Exchange Act of 1961, up to \$400,000 worth of Chilean escudos to finance educational and cultural exchange programs and activities in other countries.

(4) The Government of the United States of America may utilize Chilean escudos in Chile to pay for travel which is part of a trip in which the traveler travels from, to or through Chile. It is understood that these funds are intended to cover only travel by persons who are traveling on official business for the Government of the United States of America or in connection with activities financed by the Government of the United States of America. It is further understood that the travel for which Chilean escudos may be utilized shall not be limited to services provided by Chilean transportation facilities.

(5) On the basis of understandings reached in conversations between representatives of our two Governments, deposits of Chilean escudos under Article III of the agreement will be made at the selling side of the brokers market rate of United States dollars for Chilean escudos net of all banking charges. It is further understood that if at any time a change takes place in the exchange rate system of Chile before the dollar disbursements referred to in Article III are completed, a new rate of exchange 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.

Ralph A. DUNGAN

His Excellency Gabriel Valdés Subercaseaux
Minister of Foreign Affairs
Santiago

II

The Chilean Minister of Foreign Affairs to the American Ambassador

[SPANISH TEXT — TEXTE ESPAGNOL]

REPÚBLICA DE CHILE
MINISTERIO DE RELACIONES EXTERIORES

Nº 10196

Santiago, 27 de julio de 1965

Señor Embajador :

Tengo el honor de dirigirme a Vuestra Excelencia para acusar recibo de su Nota Nº 93 de fecha de hoy, cuyo texto es el siguiente :

[TRANSLATION¹ — TRADUCTION²]

REPUBLIC OF CHILE
MINISTRY OF FOREIGN AFFAIRS

Santiago, July 27, 1965

No. 10196

Mr. Ambassador :

I have the honor to acknowledge receipt of Your Excellency's note No. 93, of this date, the text of which is as follows :

[*See note I*]

I have the honor to inform Your Excellency that my Government concurs in the terms of the note transcribed above, and considers that it and this reply constitute an agreement between the two parties.

I take this opportunity to renew to Your Excellency the assurances of my highest consideration.

Gabriel VALDÉS SUBERCASEAUX

His Excellency Ralph A. Dungan
Ambassador Extraordinary and Plenipotentiary
of the United States of America
Santiago, Chile

¹ Translation by the Government of the United States of America.

² Traduction du Gouvernement des États-Unis d'Amérique.