

No. 8403

**UNITED STATES OF AMERICA
and
CEYLON**

**Agricultural Commodities Agreement under Title I of the
Agricultural Trade Development and Assistance Act, as
amended (with exchange of notes). Signed at Colombo,
on 12 March 1966**

Official text: English.

Registered by the United States of America on 21 November 1966.

**ÉTATS-UNIS D'AMÉRIQUE
et
CEYLAN**

**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 Colombo, le 12 mars 1966**

Texte officiel anglais.

Enregistré par les États-Unis d'Amérique le 21 novembre 1966.

No. 8403. AGRICULTURAL COMMODITIES AGREEMENT¹
BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF CEYLON UNDER TITLE I OF THE AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT, AS AMENDED.
SIGNED AT COLOMBO, ON 12 MARCH 1966

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

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

Considering that the Ceylon rupees 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 Ceylon pursuant to Title I of the Agricultural 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 CEYLON RUPEES

1. Subject to issuance by the Government of the United States of America and acceptance by the Government of Ceylon 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

¹ Came into force on 12 March 1966, upon signature, in accordance with article VI.

the sales for Ceylon rupees, to purchasers authorized by the Government of Ceylon, of the following agricultural commodities in the amounts indicated :

<i>Commodity</i>	<i>Approximate Quantity (Metric Tons)</i>	<i>Export Market Value (Millions)</i>
Wheat flour/Wheat	50,000	\$3.8
Corn/Grain sorghum	5,000	0.3
	TOTAL	\$4.1

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 Ceylon rupees 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 Ceylon. The Government of Ceylon will not be required to deposit rupees 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 vessel for loading, the Government of Ceylon will open a letter of credit, in dollars, for the estimated cost of ocean transportation for commodities carried 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 CEYLON RUPEES

The Ceylon 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 proportions shown.

A. For United States expenditures under subsections (a), (b), (d), (f) and (h) through (t) of Section 104 of the Act, or under any of such subsections, 20 percent of the Ceylon rupees 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 Ceylon incident thereto, 10 percent of the Ceylon rupees 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 Ceylon for business development and trade expansion in Ceylon and to United States firms and Ceylon 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 Ceylon, acting through the Central Bank of Ceylon. The Governor of the Central Bank of Ceylon, or his designate, will act for the Government of Ceylon, 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 Ceylon 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 Central Bank of Ceylon 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 Ceylon on comparable loans, provided such rate is not lower than cost of funds to the United States Treasury on comparable maturities, 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 Central Bank of Ceylon will indicate to AID whether or not the Central Bank of Ceylon has any objection to the proposed loan. Unless within the sixty-day period AID has received such a communication from the Central Bank of Ceylon, it shall be understood that the Central Bank of Ceylon has no objection to the proposed loan. When AID approves or declines the proposed loan it will notify the Central Bank of Ceylon.

(6) In the event the Ceylon rupees set aside for loans under Section 104 (e) of the Act are not advanced within three years from the date of this agreement or such extended period as may be agreed between the Government of Ceylon and the Government of the United States of America because AID has not approved loans or because proposed loans have not been mutually agreeable to AID of Washington, and the Central Bank of Ceylon, the Government of the United States of America may use the Ceylon rupees for any purpose authorized by Section 104 of the Act.

C. For a loan to the Government of Ceylon 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 Ceylon, as may be mutually agreed, 70 percent of the Ceylon rupees 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 Ceylon rupees for loan purposes under Section 104(g) of the Act within three years from the date of this agreement or such extended period as may be agreed between the Government of Ceylon and the Government of the United States of America, the Government of the United States of America may use the Ceylon rupees for any purpose authorized by Section 104 of the Act.

Article III

DEPOSIT OF CEYLON RUPEES

1. The Government of Ceylon will deposit to the account of the Government of the United States of America an amount of Ceylon rupees equivalent to the dollar sales value of the commodities financed by the Government of the United States of America converted into Ceylon rupees at the applicable rate of exchange in effect on the date of dollar disbursement by the Government of the United States of America.

- (a) If a unitary exchange rate system is maintained by the Government of Ceylon, the applicable rate will be the rate at which the central monetary authority of Ceylon, or its authorized agent, sells foreign exchange for Ceylon rupees.
- (b) If a unitary rate system is not maintained, the applicable rate will be the rate mutually agreed upon by the Government of the United States of America and the Government of Ceylon.

2. The Government of the United States of America shall determine which of its funds shall be used to pay any refunds of Ceylon rupees 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 rupees accruing to the Government of the United States of America under this agreement.

Article IV

GENERAL UNDERTAKINGS

1. The Government of Ceylon 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 Ceylon 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 upon signature.

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

DONE at Colombo, in duplicate, this twelfth day of March, 1966.

For the Government
of the United States of America :

Cecil B. LYON

For the Government
of Ceylon :

Gamani COREA

EXCHANGE OF NOTES

I

*The American Ambassador to the Ceylonese Permanent Secretary,
Ministry of Planning and Economic Affairs*

Colombo, March 12, 1966

Excellency :

I have the honor to refer to the Agricultural Commodities Agreement between our two Governments signed today, under which the United States of America undertakes to finance the delivery to Ceylon of \$4.1 million worth of agricultural commodities, and to inform you of my Government's understanding of the following :

1. With regard to paragraph 1 of Article IV of the Agreement, if the same or like commodities are exported during the period in which commodities financed under the Agreement are being imported and utilized, the Government of Ceylon will be required to reimburse the Government of the United States of America in dollars for the equivalent value of such exports or make an offset purchase from the United States for dollars of an equivalent quantity of the commodities exported. Such reimbursement or offset purchase will be made not later than 60 days from the date that such exports take place and will not be in excess of the total value of the commodities shipped under the Agreement.

If any product is exported that is processed from the same or like commodities as those being imported under the Agreement, reimbursement or offset purchases will be required, on the foregoing terms, for an equivalent quantity of the commodity used to produce the processed product.

2. With regard to paragraph 2 of Article IV of the Agreement, 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 Ceylon agrees that it will procure and import with its own resources the following agricultural commodities in addition to those to be purchased under the terms of the Agreement :

- a. From the United States of America and countries friendly to it at least 155,000 metric tons of wheat flour or wheat equivalent during the United States calendar year 1966.
- b. From the United States of America and countries friendly to it at least 4,000 metric tons of corn/grain sorghum during the United States calendar year 1966.

If deliveries extend into a subsequent period, the level of usual marketing requirements for such period will be determined at the time the request for extension of deliveries is made.

3. With regard to paragraph 4 of Article IV of the Agreement, the Government of Ceylon 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 Ceylon 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 Ceylon 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.

4. The Government of Ceylon agrees that rupees received by the Government of the United States of America under the Agreement may be deposited in interest-bearing accounts in banks in Ceylon selected by the Government of the United States of America, unless other arrangements are mutually agreed upon by the Government of the United States of America and the Government of Ceylon.

5. For purposes of Section 104 (a) of the Act, to finance agricultural market development activities in other countries, the Government of Ceylon will provide,

upon request of the Government of the United States of America, facilities for conversion into other non-dollar currencies of \$82,000 worth or two percent of the rupees accruing under the Agreement from proceeds from sales and payments on Section 104 (g) loans (including principal and interest), whichever is greater. For purposes of Section 104 (h) of the Act, to finance the travel of exchanges between the United States of America and Ceylon, the Government of Ceylon will provide, upon request of the Government of the United States of America, facilities for conversion of up to \$70,000 worth of rupees into a single currency acceptable to the United States international carriers without discount. For purposes of Sections 104 (s) and (t) of the Act, the Government of the United States of America will limit its sales to American tourists and United States citizens to \$82,000 worth or two percent of the rupees accruing under the Agreement from proceeds accruing from sales and payments on Section 104 (g) loans (including principal and interest), whichever is greater.

6. The Government of the United States of America may utilize rupees in Ceylon to pay for travel which is part of a trip in which the traveler travels from, to or through Ceylon. 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 rupees may be utilized shall not be limited to services provided by Ceylon transportation facilities.

I shall appreciate receiving your Excellency's confirmation of the above understanding.

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

Cecil B. LYON

His Excellency Dr. Gamani Corea
Permanent Secretary
Ministry of Planning and Economic Affairs
Colombo

II

*The Ceylonese Permanent Secretary, Ministry of Planning
and Economic Affairs, to the American Ambassador*

MINISTRY OF PLANNING AND ECONOMIC AFFAIRS

CA/US/11.

Colombo, March 12, 1966

Your Excellency,

*Agricultural Commodities Agreement between the Government of the United States of
America and the Government of Ceylon*

I have the honour to acknowledge receipt of your Note dated March 12, 1966, which reads as follows :

[See note I]

I confirm that your Note correctly sets out the understanding reached between the representatives of our two Governments.

Accept, Excellency, the assurances of my highest consideration.

Gamani COREA
Permanent Secretary to the Ministry
of Planning and Economic Affairs

His Excellency Cecil B. Lyon
Ambassador for the United States of America
The American Embassy
Colombo