

No. 8583

**UNITED STATES OF AMERICA
and
ISRAEL**

**Agricultural Commodities Agreement under Title I of the
Agricultural Trade Development and Assistance Act, as
amended (with exchange of notes). Signed at Washing-
ton, on 6 June 1966**

Official text: English.

Registered by the United States of America on 28 March 1967.

**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
échange de notes). Signé à Washington, le 6 juin 1966**

Texte officiel anglais.

Enregistré par les États-Unis d'Amérique le 28 mars 1967.

No. 8583. 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 6 JUNE
1966

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 those 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 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 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 6 June 1966, upon signature, in accordance with article VI.

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> |
|---|---|
| Feedgrains | \$13.2 |
| Wheat and/or wheat flour | 7.3 |
| Cottonseed and/or Soybean oil | 2.8 |
| Tobacco | .2 |
| TOTAL | \$23.5 |

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 Israel pounds 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 ocean transportation costs for commodities required to be carried in United States flag vessels shall be paid in dollars by the Government of Israel. The Government of Israel will not be required to deposit Israel pounds 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 Israel 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 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 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, twenty-five 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, five 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 and distribution, or for 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, 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 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 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, seventy 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 under Section 104 (g) of the Act within three years from the date of this agreement, the Government of the United States of America may use the Israel pounds for any purpose authorized by Section 104 of the Act.

Article III

DEPOSIT OF ISRAEL POUNDS

1. The Government of Israel will deposit to the account of the Government of the United States of America an amount of Israel pounds equivalent to the dollar sales value of the commodities financed by the Government of the United States of America converted into Israel pounds 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 Israel, the applicable rate will be the rate at which the central monetary authority of Israel, or its authorized agent, sells foreign exchange for Israel pounds.
- (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 Israel.

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

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 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 in any United States Calendar Year during which Title I commodities are being imported 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 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 Israel will furnish quarterly : 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 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 Washington, in duplicate, this sixth day of June, 1966.

For the Government of the United States of America :

Raymond A. HARE

For the Government of Israel :

Avraham HARMAN

EXCHANGE OF NOTES

I

The Acting Secretary of State to the Israel Ambassador

DEPARTMENT OF STATE
WASHINGTON

June 6, 1966

Excellency :

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

1. In agreeing that the delivery of commodities pursuant to the agreement should not unduly disrupt world prices of agricultural commodities or impair trade relations among friendly nations, the Government of Israel agrees that it will, in addition to the commodities to be programed under agricultural commodities agreements between our two Governments, procure and import with its own resources from free world sources, including the United States of America, during United States Calendar Year 1966 :

- a. Feedgrains—235,000 metric tons. This quantity of feedgrains is the same as, and not in addition to, the quantity required under the Title IV Agricultural Commodities Agreement signed today.¹

¹ United Nations, *Treaty Series*, Vol. 578, p. 143.

- b. Wheat/wheat flour in wheat equivalent—125,000 metric tons.
- c. Edible vegetable oils—22,000 metric tons, or equivalent of oil seeds, of which not less than 17,000 metric tons must come from the United States.
- d. Tobacco—900 metric tons.

2. The commodities to be programed pursuant to the agreement are intended for importation during United States Calendar Year 1966. If deliveries extend into a subsequent Calendar Year, the level of usual marketing requirements for such period will be determined at the time the request for extension is made.

3. With regard to Article IV of the agreement, the Government of Israel agrees not to export, without the specific approval of the Government of the United States of America, any foodgrains or feedgrains, including wheat, wheat flour, bran, bulgur, rolled wheat, rye, corn, cornmeal, cracked corn, grain sorghums, barley, oats or rolled oats during United States Calendar Year 1966 or any United States Calendar Year in which foodgrains or feedgrains financed under the agreement are being imported and utilized.

4. Israel may export up to 25,000 metric tons of all types of oil (including oil equivalent of soybeans and cottonseed exported) to countries friendly to the United States of America during United States Calendar Year 1966, provided that for each ton of cottonseed and/or soybean oil exported, including oil equivalent of soybeans and cottonseed exported, the Government of Israel will purchase commercially from the United States of America an equivalent amount of soybeans calculated on an oil extraction rate of 17 percent 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 Calendar Year 1966, soybean purchases above the basic usual marketing requirement would be 59,000 metric tons. The import offsetting requirement for vegetable oils and soybeans or cottonseed does not apply to Israel's exports of oils and oilseeds other than cottonseed, soybeans and/or their oils.

5. With regard to paragraph 4 of Article IV of the agreement, the Government of Israel 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 Israel 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 Israel 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.

6. The Government of Israel agrees that Israel pounds received by the Government of the United States of America under the agreement may be deposited in interest-bearing accounts in banks in Israel selected by the Government of the United States of America.

7. The Government of Israel will provide, upon request of the Government of the United States of America, facilities for conversion into other non-dollar currencies of the following amounts of Israel pounds: (1) for purposes of Section 104 (a) of the Act, \$470,000 worth or two percent of Israel pounds accruing from sales under the agreement and payments from 104 (g) loans (including principal and interest), whichever is greater, to finance agricultural market development activities in other countries, and (2) 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 \$540,000 worth of Israel pounds to finance educational and cultural exchange programs and activities in other countries.

8. It is agreed that sales under Section 104 (t) of the agreement, to be made without further consultation, will be limited to the equivalent in Israel pounds of \$150,000. It is further agreed that additional amounts of United States-owned Israel pounds accruing under the agreement, up to \$1,500,000, may be used under mutually agreed arrangements providing for procurement of goods and services in Israel for export by the Government of the United States of America in ways which would not add to the foreign exchange costs to Israel. It is understood that these arrangements would not add to the foreign exchange costs to the United States and that the utilization of these funds would not prejudice purchases made with other funds owned by the United States in Israel under existing arrangements.

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

10. The Government of Israel agrees to designate an individual or agency in Israel with whom representatives of the United States of America may consult with regard to implementing all the provisions of the agreement.

11. The Government of Israel agrees to designate one or more persons in the United States to consult with representatives of the United States of America for purposes of orientation in connection with the implementation of the agreement.

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

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

For the Acting Secretary of State :

Raymond A. HARE

His Excellency Avraham Harman
Ambassador of Israel

II

The Israel Ambassador to the Acting Secretary of State

EMBASSY OF ISRAEL
WASHINGTON, D.C.

June 6, 1966

Dear Mr. Secretary,

I have the honor to refer to your Note dated June 6 regarding the Title I Agricultural Commodities Agreement between our two Governments signed today, and to inform you that my Government concurs with the understanding as set forth in your Note.

Please accept, Mr. Secretary, the renewed assurances of my highest consideration.

Avraham HARMAN
Ambassador

The Honorable George W. Ball
Acting Secretary of State
Department of State
Washington, D.C.