

No. 8592

UNITED STATES OF AMERICA
and
PAKISTAN

**Agricultural Commodities Agreement under Title I of
the Agricultural Trade Development and Assistance
Act, as amended (with exchange of notes). Signed
at Karachi, on 26 May 1966**

Official text: English.

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

ÉTATS-UNIS D'AMÉRIQUE
et
PAKISTAN

**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
Karachi, le 26 mai 1966**

Texte officiel anglais.

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

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No. 8592. AGRICULTURAL COMMODITIES AGREEMENT¹
BETWEEN THE GOVERNMENT OF PAKISTAN AND
THE GOVERNMENT OF THE UNITED STATES OF
AMERICA UNDER TITLE I OF THE AGRICULTURAL
TRADE DEVELOPMENT AND ASSISTANCE ACT, AS
AMENDED. SIGNED AT KARACHI, ON 26 MAY 1966

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

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

Considering that the Pakistani rupees accruing from such purchase will be utilised 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 Pakistan 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 PAKISTANRUPEES

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

¹ Came into force on 26 May 1966, upon signature, in accordance with article VI.

undertakes to finance the sales for Pakistani rupees, to purchasers authorized by the Government of Pakistan, of the following agricultural commodities in the amounts indicated :

<i>Commodity</i>	<i>Export Market Value (Millions)</i>
Wheat /wheat flour	\$17.609
Cotton, extra long staple600
Tobacco650
Soybean /Cottonseed oil	6.385
	<u>\$25.244</u>

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 Pakistani rupees accruing from such sale, and other relevant matters.

3. The Government of the United States of America will finance ocean transportation costs incurred 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 per cent 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 Pakistan. The Government of Pakistan will not be required to deposit Pakistani rupees for ocean transportation financed by the Government of the United States of America.

4. 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 Pakistan will open a letter of credit, in dollars, for the estimated cost of ocean transportation for commodities carried in United States flag vessels.

5. 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 PAKISTANI RUPEES

The Pakistani 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), (c), (d), (f) and (h) through (t) of Section 104 of the Act, or under any of such subsections, 20 per cent of the Pakistani rupees accruing pursuant to this agreement. Not more than the rupee equivalent of \$275,000 will be used for purposes of subsections (s) and (t).

B. For loans to be made by the Agency for International Development of Washington (hereinafter referred to as A.I.D.) under Section 104 (e) of the Act and for administrative expenses of A.I.D. in Pakistan, incident thereto, 5 per cent of the Pakistani 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 Pakistan for business development and trade expansion in Pakistan and to United States firms and Pakistani 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 A.I.D. and the Government of Pakistan, acting through the State Bank of Pakistan. The Governor of the State Bank of Pakistan, or his designate, will act for the Government of Pakistan, and the Administrator of A.I.D., or his designate, will act for A.I.D.
- (3) Upon receipt of an application which A.I.D. is prepared to consider, A.I.D. will inform the State Bank of Pakistan 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 A.I.D. is prepared to act favourably upon an application, it will so notify the State Bank of Pakistan 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 Pakistan 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 A.I.D. is prepared to act favourably upon an application, the State Bank of Pakistan will indicate to A.I.D. whether or not it has any objection to the proposed loan. Unless within the sixty day period A.I.D. has received such

a communication from the State Bank of Pakistan, it shall be understood that the State Bank of Pakistan has no objection to the proposed loan. When A.I.D. approves or declines the proposed loan it will notify the State Bank of Pakistan.

- (6) In the event the Pakistani rupees set aside for loans under Section 104 (e) of the Act are not advanced within three years from the date of this agreement because A.I.D. has not approved loans or because proposed loans have not been mutually agreeable to A.I.D. and the State Bank of Pakistan, the Government of the United States of America may use the Pakistani rupees for any purpose authorized by Section 104 of the Act.

C. For a loan to the Government of Pakistan under Section 104 (g) of the Act for financing such projects to promote economic development, including projects not heretofore included in the plans of the Government of Pakistan, as may be mutually agreed, 75 percent of the Pakistani 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 Pakistani rupees for loan purposes under Section 104 (g) of the Act within 3 years from the date of this agreement, the Government of the United States of America may use the Pakistani rupees for any purposes authorized by Section 104 of the Act.

Article III

DEPOSIT OF PAKISTANI RUPEES

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

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

Article IV

GENERAL UNDERTAKINGS

1. The Government of Pakistan 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 U.S. fiscal year during which Title I commodities are being imported (except where such export is specifically approved by the Government of the United States) ; and to ensure that the purchase of commodities pursuant to this agreement does not result in increased availability of the same or like commodities for export from Pakistan.

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 endeavours to develop and expand continuous market demand for agricultural commodities.

4. The Government of Pakistan will furnish quarterly information on the progress of the programme, particularly with respect to the arrival and condition of commodities, provisions for the maintenance of usual marketings, and 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 Karachi in duplicate this 26th day of May, 1966.

For the Government
of Pakistan :
S. Osman ALI
Secretary to the Government
of Pakistan

[SEAL]

For the Government
of the United States of America :
William I. CARGO
Chargé d'Affaires ad interim
of the American Embassy
in Pakistan

EXCHANGE OF NOTES

I

*The American Chargé d'Affaires ad interim to the Pakistan Secretary,
Economic Affairs Division*

Karachi, Pakistan, May 26, 1966

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 Pakistan agrees to procure and import with its own resources at least 75,000 metric tons of wheat and 10,500 metric tons of edible oil during U.S. fiscal year 1966 from the United States of America and countries friendly to it, in addition to the agricultural commodities to be purchased under the terms of the agreement. If deliveries extend into a subsequent period, the level of usual marketings for such period will be determined at the time the request for extension of deliveries is made.

Further, the Government of Pakistan agrees that it will not export rice, except for superior grades known as Basmati, Permal and Begmi, without the prior consent of the Government of the United States of America during fiscal year 1966 or any U.S. fiscal year during which wheat under the agreement is being received and utilized.

2. The Government of Pakistan agrees that Pakistani rupees received by the Government of the United States of America under the agreement will be deposited in an account in the State Bank of Pakistan bearing interest at a rate of not less than $1\frac{1}{2}$ per cent per annum. However, (A) rupees in the State Bank of Pakistan which are for uses provided in Article II (B) and (C) of the agreement will be transferred to other banks in Pakistan as mutually agreed by the Government of Pakistan and the Government of the United States, and, (B) the Government of the United States, after consultation with the Government of Pakistan, may withdraw any of the rupees which are for the uses provided in Article II A of the Agreement.

3. The Government of Pakistan 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 Pakistani rupees :

- (1) for purposes of Section 104 (a) of the Act, \$504,880 worth or two per cent of the Pakistani rupees accruing to the United States of America under the agreement as proceeds from sales and 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 \$270,000 worth of Pakistani rupees to finance educational and cultural exchange programs and activities in other countries.

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

5. With regard to Paragraph 4 of Article IV of the agreement, the Government of Pakistan agrees to furnish quarterly the following information in connection with each shipment of commodities received under the agreement : 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 Pakistan 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 Pakistan 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.

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

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

William I. CARGO
Chargé d'Affaires ad interim
of the American Embassy in Pakistan

Mr. S. Osman Ali, S. Pk., S.Q.A.
Secretary, Economic Affairs Division
Government of Pakistan
Karachi

II

*The Pakistan Secretary, Economic Affairs Division, to the American
Chargé d'Affaires ad interim*

GOVERNMENT OF PAKISTAN
PRESIDENT'S SECRETARIAT
Economic Affairs Division

Karachi, May 26, 1966

Dear Mr. Cargo,

I have the honour to acknowledge with thanks the receipt of your letter dated May 26, 1966, containing the understanding in respect of the Agricultural Commodities Agreement signed today, the text of which is reproduced below :

[See note I]

I confirm that the foregoing sets forth the understanding of the Government of Pakistan.

Yours sincerely,

S. Osman ALI
Secretary

William I. Cargo, Esqr.
Chargé d'Affaires ad interim of the American Embassy
in Pakistan
Karachi
