

No. 9767

UNITED STATES OF AMERICA
and
PAKISTAN

**Agreement for sales of agricultural commodities (with
annex). Signed at Islamabad on 11 May 1967**

Authentic text: English.

Registered by the United States of America on 6 August 1969.

ÉTATS-UNIS D'AMÉRIQUE
et
PAKISTAN

**Accord relatif à la vente de produits agricoles (avec
annexe). Signé à Islamabad le 11 mai 1967**

Texte authentique: anglais.

Enregistré par les États-Unis d'Amérique le 6 août 1969.

AGREEMENT¹ BETWEEN THE GOVERNMENT OF THE
UNITED STATES OF AMERICA AND THE GOVERN-
MENT OF PAKISTAN FOR SALES OF AGRICULTURAL
COMMODITIES

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

Recognizing the desirability of expanding trade in agricultural commodities between the United States of America (hereinafter referred to as the exporting country) and Pakistan (hereinafter referred to as the importing country) and with other friendly countries in a manner that will not displace usual marketings of the exporting country in these commodities or unduly disrupt world prices of agricultural commodities or normal patterns of commercial trade with friendly countries;

Taking into account the importance to developing countries of their efforts to help themselves toward a greater degree of self-reliance, including efforts to meet their problems of food production and population growth;

Recognizing the policy of the exporting country to use its agricultural productivity to combat hunger and malnutrition in the developing countries, to encourage these countries to improve their own agricultural production, and to assist them in their economic development;

Recognizing the determination of the importing country to improve its own production, storage, and distribution of agricultural food products, including the reduction of waste in all stages of food handling;

Desiring to set forth the understandings that will govern the sales of agricultural commodities to the importing country pursuant to Title I of the Agricultural Trade Development and Assistance Act, as amended (hereinafter referred to as the Act), and the measures that the two Governments will take individually and collectively in furthering the above-mentioned policies;

¹ Came into force on 11 May 1967 by signature, in accordance with Part III (B).

Have agreed as follows :

PART I

GENERAL PROVISIONS

Article I

A. The Government of the exporting country undertakes to finance the sale of agricultural commodities to purchasers authorized by the Government of the importing country in accordance with the terms and conditions set forth in this agreement, including the applicable annex which is an integral part of this agreement.

B. The financing of the agricultural commodities listed in Part II of this agreement will be subject to :

1. the issuance by the Government of the exporting country of purchase authorizations and their acceptance by the Government of the importing country; and
2. the availability of the specified commodities at the time of exportation.

C. Application for purchase authorizations will be made within 90 days after the effective date of this agreement, and, with respect to any additional commodities or amounts of commodities provided for in any supplementary agreement, within 90 days after the effective date of such supplementary agreement. Purchase authorizations shall include provisions relating to the sale and delivery of such commodities, and other relevant matters.

D. Except as may be authorized by the Government of the exporting country, all deliveries of commodities sold under this agreement shall be made within the supply periods specified in the commodity table in Part II.

E. The value of the total quantity of each commodity covered by the purchase authorizations for a specified type of financing authorized under this agreement shall not exceed the maximum export market value specified for that commodity and type of financing in Part II. The Government of the exporting country may limit the total value of each commodity to be covered by purchase authorizations for a specified type of financing as price declines or other marketing factors may require, so that the quantities of such commodity sold under a specified type of financing will not substantially exceed the applicable approximate maximum quantity specified in Part II.

F. The Government of the exporting country shall bear the ocean freight differential for commodities the Government of the exporting country requires to be transported in United States flag vessels (approximately 50 percent by weight of the commodities sold under the agreement). The ocean freight differential is deemed to be the amount, as determined by the Government of the exporting country, by which the cost of ocean transportation is higher (than would otherwise be the case) by reason of the requirement that the commodities be transported in United States flag vessels. The Government of the importing country shall have no responsibility to reimburse the Government of the exporting country or to deposit any local currency of the importing country for the ocean freight differential borne by the Government of the exporting country.

G. Promptly after contracting for United States flag shipping space to be used for commodities required to be transported in United States flag vessels, and in any event not later than presentation of vessel for loading, the Government of the importing country or the purchasers authorized by it shall open a letter of credit, in United States dollars, for the estimated cost of ocean transportation for such commodities.

H. 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

A. Initial Payment

The Government of the importing country shall pay, or cause to be paid, such an initial payment as may be specified in Part II of this agreement. The amount of this payment shall be that proportion of the purchase price (excluding any ocean transportation costs that may be included therein) equal to the percentage specified for initial payment in Part II and payment shall be made in United States dollars in accordance with the applicable purchase authorization.

B. Type of Financing

Sales of the commodities specified in Part II shall be financed in accordance with the type of financing indicated therein, and special provisions relating to the sale are also set forth in Part II and in the applicable annex.

C. Deposit of Payments

The Government of the importing country shall make, or cause to be made, payments to the Government of the exporting country in the currencies, amounts, and at the exchange rate specified elsewhere in this agreement as follows :

1. Payments in the local currency of the importing country (hereinafter referred to as local currency) shall be deposited to the account of the Government of the United States of America in an account in the State Bank of Pakistan, bearing interest at a rate of not less than 1 ½ percent per annum. However, (A) rupees in the State Bank of Pakistan which are for uses provided in Part II, Item II, (b), (c), (d) and (e) 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 transfer any of the rupees which are for the uses provided in Part II, Item II (a) of the agreement to other banks in Pakistan. Transfers to other banks will not be limited to the amounts actually being used or expended at any given time.
2. Dollar payments shall be remitted to the Treasurer, Commodity Credit Corporation, United States Department of Agriculture, Washington, D.C. 20250, unless another method of payment is agreed upon by the two Governments.

Article III

A. World Trade

The two Governments shall take maximum precautions to assure that sales of agricultural commodities pursuant to this agreement will not displace usual marketing of the exporting country in these commodities or unduly disrupt world prices of agricultural commodities or normal patterns of commercial trade with countries the Government of the exporting country considers to be friendly to it (referred to in this agreement as friendly countries). In implementing this provision the Government of the importing country shall :

1. insure that total imports from the exporting country and other friendly countries into the importing country paid for with the resources of the importing country will equal at least the quantities of agricultural commodities as may be specified in the usual marketing table set forth in Part II during each import period specified in the table and during each subsequent comparable period in which commodities financed under this agreement are being delivered. The imports of commodities to satisfy

these usual marketing requirements for each import period shall be in addition to purchases financed under this agreement.

2. take all possible measures to prevent the resale, diversion in transit, 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, diversion in transit, transshipment or use is specifically approved by the Government of the United States of America); and
3. take all possible measures to prevent the export of any commodity of either domestic or foreign origin which is the same as, or like, the commodities financed under this agreement during the export limitation period specified in the export limitation table in Part II (except as may be specified in Part II or where such export is otherwise specifically approved by the Government of the United States of America).

B. *Private Trade*

In carrying out this agreement, the two Governments shall seek to assure conditions of commerce permitting private traders to function effectively

C. *Self-help*

Part II describes the program the Government of the importing country is undertaking to improve its production, storage, and distribution of agricultural commodities. The Government of the importing country shall furnish in such form and at such time as may be requested by the Government of the exporting country, a statement of the progress the Government of the importing country is making in carrying out such self-help measures.

D. *Reporting*

In addition to any other reports agreed upon by the two Governments, the Government of the importing country shall furnish at least quarterly during the supply period specified in Item I Part II of this agreement and any subsequent, comparable period during which commodities purchased under this agreement are being imported or utilized :

1. 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 uploading was completed; and the disposition of the cargo, i.e., stored, distributed locally, or, if shipped, where shipped;

2. a statement by it showing the progress made toward fulfilling the usual marketing requirements;
3. a statement of the measures it has taken to implement the provisions of sections A. 2. and 3. of this Article; and
4. 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.

E. Procedures for Reconciliation and Adjustment of Accounts

The two Governments shall each establish appropriate procedures to facilitate the reconciliation of their respective records of the amounts financed with respect to the commodities delivered during each calendar year. The Commodity Credit Corporation of the exporting country and the Government of the importing country may make such adjustments in the credit accounts as they mutually decide are appropriate.

F. Definition

For the purposes of this agreement :

1. delivery shall be deemed to have occurred as of the on-board date shown on the ocean bill of lading which has been signed or initialed on behalf of the carrier,
2. import shall be deemed to have occurred when the commodity has entered the country, and passed through customs, if any, of the importing country, and
3. utilization shall be deemed to have occurred when the commodity is sold to the trade within the importing country without restriction on its use within the country or otherwise distributed to the consumer within the country.

G. Applicable Exchange Rate

For the purposes of this agreement, the applicable exchange rate for determining the amount of any local currency to be paid to the Government of the exporting country shall be a rate which is not less favorable to the Government of the exporting country than the highest of exchange rates legally obtainable in the importing country and which is not less favorable to the Government of the exporting country than the highest of exchange rates obtainable by any other nation. With respect to local currency :

1. As long as a unitary exchange rate system is maintained by the Government of the importing country, the applicable exchange rate shall be the

rate at which the central monetary authority of the importing country, or its authorized agent, sells foreign exchange for local currency.

2. If a unitary rate systems is not maintained, the applicable rate will be the rate (as mutually agreed by the two Governments) that fulfills the requirements of the first sentence of this section G.

H. Consultation

The two Governments shall, upon request of either of them, consult regarding any matter arising under this agreement, including the operation of arrangements carried out pursuant to this agreement.

I. Identification and Publicity

The Government of the importing country shall undertake such measures as may be mutually agreed prior to delivery for the identification of food commodities at points of distribution in the importing country, and for publicity as provided for in subsection 103(1) of the Act.

PART II

PARTICULAR PROVISIONS

ITEM I. Commodity Table

<i>Commodity</i>	<i>Supply Period (United States Fiscal Year)</i>	<i>Approximate Maximum Quantity (Metric Tons)</i>	<i>Maximum Export Market Value (Millions)</i>
Wheat/wheat flour	1967	250,000	\$17.4
Soybean and/or cottonseed oil	1967	50,000	12.6
Tobacco.	1967	900	2.8
TOTAL			<u>\$32.8</u>

ITEM II. Payment Terms

Local Currency Terms

1. Proportion of local currency accruals indicated for specified purposes :

- a. United States expenditures 8 percent, of which not more than \$656,000 shall be sold under Section 104 (j) of the Act, but the total available for United States expenditure shall be not less than the amount convertible under 2 below plus the amount sold under Section 104 (j);

- b. Section 104 (e) — 5 percent;
- c. Section 104 (h) — 10 percent on a grant basis;
- d. Section 104 (f) loans — 65 percent; and
- e. Section 104 (f) grants — 12 percent, subject to reduction as may be necessary to provide the local currencies required for United States expenditures under (a) above. These funds are for financing such projects as are mutually agreed by the two Governments, but not less than an amount equal to 20 percent of the total local currencies accruing to the Government of the exporting country from sales of commodities under this agreement shall be used for the self-help measures described in Item V. If no agreement is reached on the use of the local currency available for Section 104 (f) grants within three years from the date of this agreement, the Government of the exporting country may make available for any purposes authorized by Section 104 of the Act any of this local currency on which such agreement has not been reached.

2. Convertibility

- a. Section 104 (b) (1) purposes — \$ 656,000
- b. Section 104 (b) (2) purposes — \$ 328,000
- c. \$ 656,000 less the amount sold under Section 104 (j).

ITEM III. Usual Marketing Table

<i>Commodity</i>	<i>Import Period (United States Fiscal Year)</i>	<i>Usual Marketing Requirement (Metric Tons)</i>
Wheat/wheat flour	1967	75,000
Edible Oil	1967	14,000

ITEM IV. Export Limitation

Export Limitation Period — During United States fiscal year 1967 and any subsequent United States fiscal year during which commodities are imported pursuant to this agreement.

ITEM V. Self-help Measures

The two Governments have consulted on the problems arising out of the gap between food production and food consumption, and the Government of Pakistan in furtherance of its existing policy agrees to :

1. Give top priority to agricultural development and to fulfilling the goals of the Third Plan.

2. Continue to take measures to attract more foreign private capital and technical and management know-how in the production and distribution of agricultural inputs; issue a statement reaffirming its attitude towards foreign investment in the agri-business sector, including to the extent practicable specific measures already taken and those contemplated to encourage investment and encouraging a speed up in negotiations and the pace of plant construction with particular emphasis on fertilizer production and other agricultural chemicals such as insecticides and fungicides.
3. Continue to give high priority to improved seed, insuring to the extent practicable that the combined public and private effort, including any necessary legislation, will be sufficient to reach the established targets for food self-sufficiency including provision for appropriate standards for cleanliness, germination, and labeling of seeds.
4. In view of the substantial increase in agricultural credit needed to serve the private sector for purchase of modern agricultural inputs during the Third Plan, give serious consideration to increasing substantially the amount of such credit allocated under the Third Plan.
5. Maintain price levels for wheat and rice which will encourage production, taking into account that the purchase price for wheat and rice should be set at levels which, consistent with the requirements of economic stability, will serve as an effective incentive for production.
6. Further improve marketing and distribution systems, with greater emphasis placed on market information, and grades and standards.
7. Further improve the quality of agricultural research, education, and extension with particular attention to improved research, especially that which will lead to increased yields (such as work on need¹ seed varieties) involving possible additional increases in budgetary allocations.
8. Continue to give priority to family planning.

ITEM VI. *Other Provisions*

In addition to any local currency authorized for sale under Section 104 (j) of the Act the Government of the exporting country may utilize any local currency in the importing country to pay for travel which is part of a trip in which the traveler travels from, to or through the importing country. These funds (but not the sales under Section 104 (j) are intended to cover only travel by persons who are travelling on official business for the Government of the exporting country or in connection with activities financed by the Government of the exporting country. The travel for which rupees may be utilized shall not be limited to services provided by the transportation facilities of the importing country.

¹ Should read "new".

PART III

FINAL PROVISIONS

A. This agreement may be terminated by either Government by notice of termination to the other Government. Such termination will not reduce any financial obligations the Government of the importing country has incurred as of the date of termination.

B. 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 Islamabad, in duplicate, this 11th day of May, 1967.

For the Government
of the United States of America :

William L. CARGO
Chargé d'affaires
ad interim

For the Government
of Pakistan :

I. A. KHAN
Secretary
Economic Affairs Division

LOCAL CURRENCY ANNEX TO THE AGREEMENT BETWEEN THE
GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE
GOVERNMENT OF PAKISTAN FOR SALES OF AGRICULTURAL
COMMODITIES

The following provisions apply with respect to the sales of commodities financed on local currency terms :

1. The Government of the importing country shall provide for the payment in United States dollars of the balance of the ocean transportation costs for commodities required to be transported in United States flag vessels, after deducting the ocean freight differential described in Part I, Article I F, of this agreement.

2. The Government of the importing country shall pay, or cause to be paid, to the Government of the exporting country an amount of local currency equivalent to the dollar amount disbursed by the Government of the exporting country for the commodity (not including any ocean transportation costs), less any portion of the initial payment payable in dollars to the Government of the exporting country, at such time as required by the purchase authorization and regulations applicable thereto. The calculation of this local currency equivalent shall be at the applicable rate of exchange specified in Part I, Article III G, of this agreement and in effect on the date of dollar disbursement by the Government of the exporting country.

3. The Government of the exporting country shall determine which of its funds shall be used to pay any refunds of local currency which become due under this

agreement or which are due or become due under any prior agricultural commodities agreement. A reserve shall be maintained under this agreement for two years from its effective date 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 local currency accruing to the Government of the exporting country under this agreement.

4. Subject to the reserve and refund provision of paragraph 3 of this annex, the local currency accruing to the Government of the exporting country from sales of these commodities shall be made available for use by the Government of the exporting country in such manner and order of priority as the Government of the exporting country shall determine, for the purposes and in the proportions indicated in Part II of the agreement.

5. Any percentage of the local currency indicated for section 104 (e) purposes shall be made available 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 the importing country incident thereto.

- a. Such loans will be made to United States business firms (including cooperatives) and branches, subsidiaries, or affiliates of such firms for business development and trade expansion in the importing country, including loans for private home construction, and to United States firms and other firms doing business in the importing country (including cooperatives) for the establishment of facilities for aiding in the utilization, distribution, or otherwise increasing the consumption of, and markets for, United States agricultural products;
- b. Loans will be mutually agreeable to AID and the Government of the importing country, acting through the State Bank of Pakistan (hereinafter referred to as the State Bank). The Governor of the State Bank, or his designee, will act for the Government of the importing country, and the Administrator of AID, or his designee, will act for AID.
- c. Upon receipt of an application that AID is prepared to consider, AID will inform the State Bank 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.
- d. When AID is prepared to act favorably upon an application, it will so notify the State Bank and will indicate the interest rate and the repayment period which would be used under the proposed loan. The repayment period will be consistent with the purposes of the financing and the interest rate will be similar to that prevailing in the importing country on comparable loans, but the Government of the exporting country may establish a rate no less than the rate it considers to be the cost of funds to the United States Treasury, taking into consideration the current average market yields on outstanding marketable obligations of the Government of the exporting country having a maturity comparable to the maturity of the loan.
- e. Within sixty days after the receipt of the notice that AID is prepared to act favorably upon an application, the State Bank will indicate to AID whether or

not the State Bank has any objection to the proposed loan. Unless within the sixty-day period AID has received such a communication from the State Bank, it shall be understood that the State Bank has no objection to the proposed loan. When AID approves or declines the proposed loan it will notify the State Bank.

- f.* If, because AID has not approved loans or because proposed loans have not been mutually agreeable to AID and the State Bank, agreements with a borrower are not reached for specific loans equal to the local currency available for section 104 (*e*) purposes within three years from the date of this agreement, the Government of the exporting country may make available for any purpose authorized by section 104 of the Act any of the local currency with respect to which such agreements are not reached for the reasons stated above.

6. Any percentage of the local currency indicated for section 104 (*f*) loan purposes shall be made available for loans under section 104 (*f*) of the Act for financing such projects to promote multilateral trade and agricultural and other economic development as may be mutually agreed.

- a.* Provisions relating to each loan will be set forth in a loan agreement separate from this agreement.
- b.* The two Governments agree to give emphasis to projects to be financed under such loans that are designed to promote, increase, and improve food production, processing, distribution and marketing.
- c.* If agreement is not reached on the use of the local currency available for section 104 (*f*) loan purposes within three years from the date of this agreement, the Government of the exporting country may make available for any purpose authorized by section 104 of the Act any of the local currency with respect to which such agreement is not reached.

7. Any percentage of the local currency indicated for section 104 (*h*) purposes shall be made available for financing programs emphasizing maternal welfare, child health and nutrition, and activities, where participation is voluntary, related to the problems of population growth as may be mutually agreed under section 104 (*h*) of the Act. If agreement is not reached on the use of the local currency available for section 104 (*h*) purposes within three years from the date of this agreement, the Government of the exporting country may make available for any purpose authorized by section 104 of the Act any of the local currency with respect to which such agreement is not reached.

8. Any percentage of the local currency indicated for United States expenditures may be made available by the Government of the exporting country for expenditure under any subsection of section 104 of the Act, except that this provision shall not result in an increase in the other percentages which are indicated for specific subsections of section 104 in Part II, Item II under "Proportions of Local Currency Indicated for Specified Purposes." Such expenditures shall include, among others,

those authorized by section 104 (j) of the Act subject to any provisions relating thereto in Part II.

9. With respect to local currency the Government of the exporting country acquires under this agreement, and upon request of the Government of the exporting country, the Government of the importing country shall promptly convert or cause to be converted :

- a. The following amounts of local currency into currencies of third countries at an exchange rate as mutually agreed by the two Governments :
 - (1) For purposes of section 104 (b) of the Act, the larger of the two following amounts :
 - (a) the local currency amount required to yield the United States dollar amount specified in Part II, or
 - (b) two per centum of the local currency accruing to the Government of the exporting country from sales made pursuant to this agreement and from payments of both principal and interest on section 104 (f) loans, and
 - (2) For purposes of section 104 (b) (2) of the Act, the local currency amount required to yield the United States dollar amount specified in Part II.
 - b. The following amounts of local currency into United States dollars at the applicable exchange rate in effect on the rate of the request for conversion :
 - (1) For purposes of section 103 (m) (1) of the Act, that portion of the currencies available for payment of United States obligations that is necessary to permit the Government of the United States of America or any of its agencies to meet their obligations or pay the charges they owe to the Government of the importing country or any of its agencies, and
 - (2) The local currency amount required to yield any additional United States dollar amount specified in Part II.
-