

No. 9992

**UNITED STATES OF AMERICA
and
CHILE**

**Agreement for sales of agricultural commodities (with annex and
exchange of notes). Signed at Santiago on 29 December 1967**

Authentic texts: English and Spanish.

Registered by the United States of America on 1 November 1969.

**ÉTATS-UNIS D'AMÉRIQUE
et
CHILI**

**Accord relatif à la vente de produits agricoles (avec annexe et
échange de notes). Signé à Santiago le 29 décembre 1967**

Textes authentiques: anglais et espagnol.

Enregistré par les États-Unis d'Amérique le 1^{er} novembre 1969.

AGREEMENT¹ FOR SALES OF AGRICULTURAL COMMODITIES

The Government of the United States of America and the Empresa de Comercio Agrícola (hereinafter referred to as ECA),

Recognizing the desirability of expanding trade in agricultural commodities between the United States of America (hereinafter referred to as the exporting country) and Chile (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 will be taken in furthering the above-mentioned policies;

Have agreed as follows:

¹ Came into force on 29 December 1967 by signature, in accordance with part III (B).

PART I

GENERAL PROVISIONS

Article I

A. The Government of the exporting country undertakes to finance the sale of agricultural commodities to ECA and/or purchasers authorized by ECA 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 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 ECA; 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 per cent 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. ECA 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, ECA 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 Party if that Party determines that because of changed conditions the continuation of such financing, sale, or delivery is unnecessary or undesirable.

Article II

A. Initial Payment

ECA 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*

ECA shall make, or cause to be made, payments to the Government of the exporting country in the currencies, amounts, and at the exchange rates 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 interest bearing accounts in banks selected by the Government of the United States of America in the importing country.

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 Parties shall take maximum precautions to assure that sales of agricultural commodities pursuant to this agreement 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 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 ECA 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 the 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 Parties shall seek to assure conditions of commerce permitting private traders to function effectively.

C. *Self-Help*

In a note of same date as this agreement, the Government of Chile describes the program it is undertaking to improve its production, storage, and distribution of agricultural commodities. ECA 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 Chile is making in carrying out such self-help measures.

D. *Reporting*

In addition to any other reports agreed upon by the two Parties, ECA shall furnish at least quarterly for 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 unloading 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 Parties 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 ECA may make such adjustments in the credit accounts as they mutually decide are appropriate.

F. *Definitions*

For the purposes of this agreement:

1. delivery shall be deemed to have occurred as of the on-board date shown in 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 Chile, the applicable exchange rate will 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 system is not maintained, the applicable rate will be the rate (as mutually agreed by the two Parties) that fulfills the requirements of the first sentence of this section G.

H. Consultation

The two Parties shall, upon request by 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

ECA 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 (Calendar Year)</i>	<i>Approximate Maximum Quantity (metric tons)</i>	<i>Maximum Export Market Value (In thousands)</i>
Wheat and/or Wheat Flour	1967 and 1968	120,000	\$ 7,760
Corn/Grain Sorghums	1967 and 1968	25,000	1,393
Soybean/Cotton Seed Oil	1967 and 1968	15,000	4,300
Tobacco	1967 and 1968	600	1,786
Non Fat Dry Milk.	1967 and 1968	3,000	1,375
Ocean Transportation (estimated)			986
			<hr/> \$17,600

With respect to the above mentioned commodities, the two Parties will review during January-March quarter in 1968, supply and requirement factors and related matters, including normal patterns of trade with countries friendly to the United States of America, and agree upon necessary adjustments of composition and appropriate maximum quantities of these commodities.

Item II. *Payment Terms*

Dollar Credit

1. Initial Payment—10 per cent
2. Number of Installment Payments—19
3. Amount of each Installment Payment—Approximately equal annual amounts
4. Due Date of First Installment Payment—March 31 immediately following the calendar year of shipment
5. Interest Rate—2½ per cent

Item III. *Usual Marketing Table*

<i>Commodity</i>	<i>Import Period (Calendar Year)</i>	<i>Usual Marketing Requirement (Metric Tons) (For each calendar year)</i>
Wheat and/or Wheat Flour	1967 and 1968	150,000
Edible Vegetable Oils and Oil Bearing Materials	1967 and 1968	15,000 (of which at least 5,000 MT shall be imported from the USA)
Tobacco	1967 and 1968	615 (of which at least 510 MT shall be imported from the USA) ¹
Dry Milk (including nonfat and partially skimmed dry milk).	1967 and 1968	7,700 (of which at least 2,700 MT shall be imported from the USA)

¹ Of which 260 MT is the usual U.S. share and 250 MT is carried over from preceding years as explained above. [Footnote in the original.]

Each of the above usual marketing requirements will be effective during the year or years in which the related PL-480 commodity is shipped. With respect to these usual marketing requirements, the two Parties will review during the January-March quarter in 1968, the normal patterns of trade with countries friendly to the United States of America and determine any necessary adjustments of composition and the amounts of these usual marketing requirements.

Item IV. *Export Limitations*

A. With respect to each commodity financed under this agreement, the export limitation period for the same or like commodity shall be the period beginning on the date of this agreement and ending on the final date on which the relevant commodity financed under this agreement is being imported and utilized.

B. For the purpose of Part I, Article III A (3) of the Agreement, the commodities considered to be the same as, or like, the commodities financed under this agreement are as follows: for wheat and/or wheat flour—wheat and wheat products and rice; for corn/grain sorghum—corn, feed barley and rye; for non-fat dry milk—dairy products; and for soybean/cottonseed oil—edible vegetable oils and oil bearing materials.

PART III

FINAL PROVISIONS

A. This agreement may be terminated by either Party by notice of termination to the other Party. Such termination will not reduce any financial obligations ECA 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 Santiago, in duplicate, in the English and Spanish languages, each text having equal authority, this 29th day of December, 1967.

For the Government
of the United States of America:

Edward M. KORRY
Ambassador of the United States
of America

For Empresa
de Comercio Agrícola:

Arturo MONTES RODRÍGUEZ
Executive Vice-President
of Empresa de Comercio Agrícola

DOLLAR CREDIT ANNEX TO THE AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND ECA FOR SALES OF AGRICULTURAL COMMODITIES

The following provisions apply with respect to the sales of commodities financed on dollar credit terms:

1. In addition to bearing the cost of ocean freight differential as provided in Part I, Article I, F, of this agreement, the Government of the exporting country will finance on credit terms the balance of the costs for ocean transportation of those commodities that are required to be carried in United States flag vessels. The amount for ocean transportation (estimated) included in any commodity table specifying credit terms does not include the ocean freight differential to be borne by the Government of the exporting country and is only an estimate of the amount that will be necessary to cover the ocean transportation costs to be financed on credit terms by the Government of the exporting country. If this estimate is not sufficient to cover these costs, additional financing on credit terms shall be provided by the Government of the exporting country to cover them.

2. With respect to commodities delivered in each calendar year under this agreement, the principal of the credit (hereinafter referred to as principal) will consist of:

- (a) The dollar amount disbursed by the Government of the exporting country for the commodities (not including any ocean transportation costs) less any portion of the initial payment payable to the Government of the exporting country, and

- (b) The ocean transportation costs financed by the Government of the exporting country in accordance with paragraph 1 of this annex (but not the ocean freight differential).

This principal shall be paid in accordance with the payment schedule in Part II of this agreement. The first installment payment shall be due and payable on the date specified in Part II of this agreement. Subsequent installment payments shall be due and payable at intervals of one year thereafter. Any payment of principal may be made prior to its due date.

3. Interest on the unpaid balance of the principal due the Government of the exporting country for commodities delivered in each calendar year under this agreement shall begin on the date of last delivery of these commodities in such calendar year. Interest shall be paid not later than the due date of each installment payment of principal, except that if the date of the first installment is more than a year after such date of last delivery, the first payment of interest shall be made not later than the anniversary date of such date of last delivery and thereafter payment of interest shall be made not later than the due date of each installment payment of principal.

4. ECA shall deposit the proceeds from its sale of commodities financed under this agreement (upon the sale of the commodities within the importing country) in a special account that will be used for the sole purpose of holding the proceeds covered by this paragraph. Withdrawals from this account shall be made for the economic development purposes specified in the Government of Chile's note of the same date as this agreement in accordance with procedures mutually satisfactory to the two Parties. The total amount deposited under this paragraph shall not be less than the local currency equivalent of the dollar disbursement by the Government of the exporting country in connection with the financing of the commodities including the related ocean transportation costs other than the ocean freight differential. The exchange rate to be used in calculating this local currency equivalent shall be the rate at which the central monetary authority of the importing country, or its authorized agent, sells foreign exchange for local currency in connection with the commercial import of the same commodities. Any such accrued proceeds that are loaned to private or nongovernmental organizations shall be loaned at rates of interest approximately equivalent to those charged for comparable loans in the importing country. ECA shall furnish, in such form and at such times as may be requested by the Government of the exporting country, but not less frequently than on an annual basis, reports containing relevant information concerning the accumulation and use of these proceeds, including information concerning the programs for which these proceeds are used, and, when the proceeds are used for loans, the prevailing rate of interest for comparable loans in the importing country.

5. The computation of the initial payment under Part I, Article II, A of this agreement and all computations of principal and interest under numbered paragraphs 2 and 3 of this annex shall be made in United States dollars.

6. All payments shall be in United States dollars or, if the Government of the exporting country so elects:

- (a) The payments shall be made in local currency at the applicable exchange rate specified in Part I, Article III, G of this agreement in effect on the date of payment and shall, at the option of the Government of the exporting country, be converted to United States dollars at the same rate, or used by the Government of the exporting country for payment of its obligations in the importing country, or
- (b) The payments shall be made in readily convertible currencies of third countries at a mutually agreed rate of exchange and shall be used by the Government of the exporting country for payment of its obligations.

EXCHANGE OF NOTES — ÉCHANGE DE NOTES

I

[SPANISH TEXT — TEXTE ESPAGNOL]

MINISTERIO DE HACIENDA
CHILE

Santiago, 29 de Diciembre de 1967

Excelencia:

Tenemos el honor de informarle que la Empresa de Comercio Agrícola (ECA), como agencia competente del Gobierno de Chile para estos efectos, está autorizada para suscribir con el Gobierno de los Estados Unidos de América el acuerdo para la venta de productos agrícolas bajo el Título I de la Ley de Ayuda y Desarrollo del Comercio Agrícola. Considerando que la Empresa de Comercio Agrícola es representante de Chile para estos efectos, el Gobierno de Chile garantiza que todos los compromisos contraídos por la Empresa de Comercio Agrícola serán plenamente cumplidos y que todas las obligaciones contraídas por la Empresa de Comercio Agrícola en el Acuerdo serán cumplidas en su totalidad.

Tenemos además el honor de informar a Ud. que con respecto a la política agraria requerida por la Sección 109 (C) de la Ley, el Gobierno de Chile está de acuerdo en que Chile deberá:

1. Completar la preparación y dar a conocer su Plan Quinquenal para el

MINISTERIO DE HACIENDA
CHILE

Santiago, December 29, 1967

Excellency:

We have the honor to inform you that the Empresa de Comercio Agrícola, as the competent agency of the Government of Chile for this purpose, is authorized to conclude with the Government of the United States of America the agreement for sales of agricultural commodities under Title I of the Agricultural Trade Development and Assistance Act. Since the Empresa de Comercio Agrícola is the agent of the Government of Chile for this purpose, the Government of Chile declares that it guarantees that all commitments of the Empresa de Comercio Agrícola in the agreement will be fully honored and that all obligations assumed by the Empresa de Comercio Agrícola under the Agreement will be fully performed.

We further have the honor to inform you that with respect to the self-help measures required by Section 109 (C) of the Act, the Government of Chile agrees that Chile shall:

1. Complete formulation and announce its Five Year Agricultural Devel-

Desarrollo Agrícola (en Mayo de 1968). Para el período 1968-1971 la meta que postula dicho Plan es aumentar en 5.8 por ciento anualmente la producción agropecuaria en general.

2. Dictar los reglamentos para la aplicación de la nueva ley de reforma agraria que aseguren la confianza de los agricultores señalando las normas concretas sobre las propiedades susceptibles de ser expropiadas.

3. Continuar dando alta prioridad a la agricultura en la asignación de inversiones públicas. Las inversiones en agricultura presupuestadas para 1967 fueron 30 por ciento superiores a las del año anterior aumentando del 8.9 por ciento de la inversión pública al 11.0 por ciento.

4. Completar un programa general de créditos para la agricultura antes de Mayo de 1968, el que deberá contener provisiones para una reorganización del sistema crediticio agrícola. La meta para 1967 es aumentar en 18 por ciento la disponibilidad de créditos del sector público para la agricultura. El Gobierno de Chile continuará tomando medidas para igualar las condiciones de créditos para todos los agricultores.

5. Seguir anunciando con la debida oportunidad la política de precios para los productores agropecuarios, a fin de que los agricultores puedan decidir qué es lo que más les conviene producir; y mantener en términos reales el nivel de precios alcanzado en 1966. El Gobierno está preparando un calendario de anuncios para los precios agrícolas.

6. Aumentar el uso de insumos agrícolas por medio de una reducción de los precios de los fertilizantes fosfatados y mantener precios uniformes en los insumos claves para todos los agricultores.

opment Plan in May 1968. For the period 1968-1971 the goal will be to increase overall agricultural production by 5.8 per cent annually.

2. Issue regulations for the implementation of the new land reform law that will promote confidence among the farmers by providing specific guidance concerning land which may be expropriated.

3. Continue to give high priority to agriculture in the allocation of public investment; budget investment in agriculture in 1967 increased by 30 per cent over the preceding year, rising from 8.9 per cent of public investment, to 11 per cent.

4. Complete by May 1968 an overall agricultural credit program which will provide for a reorganization of the agricultural credit system. For 1967 the goal is to increase the availability of public sector credit to agriculture by 18 per cent. The Government of Chile will take measures to equalize credit terms for all farmers.

5. Continue to announce agricultural price policies at the appropriate times to permit the farmer to decide the most suitable production program, and maintain the level of prices in real terms which was reached during 1966. The Government is preparing a schedule for the announcement of agricultural prices.

6. Increase the availability of agricultural inputs by reducing phosphate fertilizer prices in real terms; and maintain uniform prices to all farmers for key inputs.

7. Reorganizar los diversos servicios agrícolas y centralizar en el Ministerio de Agricultura la dirección de la política agropecuaria de acuerdo con la Ley de Reforma Agraria de Julio de 1967.

8. Reforzar los sistemas de cobranza, computación y análisis de estadísticas para poder apreciar mejor la disponibilidad de insumos agrícolas y el progreso alcanzado en el aumento de la producción agrícola.

9. Llevar a efecto otras medidas según se acuerde mutuamente para los fines estipulados en la sección 109 (A) de la Ley.

El Gobierno de Chile tiene entendido que los ingresos en moneda nacional a los que se refiere el Párrafo 4 del anexo relativo al crédito en dólares de este Acuerdo podrán ser utilizados en conformidad con los procedimientos que mutuamente sean acordados por los Gobiernos de Chile y de los Estados Unidos para apoyar la política agraria arriba expuesta o para otros propósitos de desarrollo económico que sean acordados por ambas Partes.

Hugo TRIVELLI
Ministro de Agricultura

Sergio MOLINA
Ministro de Hacienda

Excelentísimo Señor Edward M.
Korry
Embajador de los Estados Unidos
de América
Santiago, Chile

7. Reorganize the various agricultural services and centralize the conduct of agricultural and livestock development policy in the Ministry of Agriculture in accordance with the Agrarian Reform Law of June 1967.*

8. Strengthen systems of collection, computation and analysis of statistics to better measure the availability of agricultural inputs and progress in expanding production of agricultural commodities.

9. Take such other steps as may be mutually agreed toward the objectives outlined in Section 109 (A) of the Law.

The Government of Chile further understands that the local currency proceeds referred to in Paragraph 4 of the Dollar Credit Annex of the agreement may be made available for use in accordance with procedures to be mutually agreed upon by the Government of Chile and the Government of the United States of America for the self-help purposes outlined above or for other economic development purposes as may be agreed upon.

Hugo TRIVELLI
Minister of Agriculture

Sergio MOLINA
Minister of Finance

His Excellency Edward M. Korry
Ambassador of the United States
of America
Santiago, Chile

* Should read "July 1967".

II

December 29, 1967

Excellencies:

I have the honor to acknowledge the receipt of your note of December 29, 1967 informing the Government of the United States of America that the Empresa de Comercio Agrícola, as the competent agency of the Government of Chile for the purpose, is authorized to conclude with the Government of the United States of America the "agreement for sales of agricultural commodities" under Title I of the Agricultural Trade Development and Assistance Act and declaring that, since the Empresa de Comercio Agrícola is the agent of the Government of Chile for that purpose, the Government of Chile guarantees that all commitments of the Empresa de Comercio Agrícola in the agreement will be fully honored and that all obligations assumed by the Empresa de Comercio Agrícola under the agreement will be fully performed.

I have the honor to inform you that the Government of the United States of America is concluding the agreement with the Empresa de Comercio Agrícola as the competent agency of the Government of Chile for that purpose pursuant to the above-mentioned authorization and guarantee.

Accept, Excellencies, the assurances of my highest consideration.

Edward M. KORRY
Ambassador of the United States of America

Señor Sergio Molina
Minister of Finance
Santiago

Señor Hugo Trivelli
Minister of Agriculture
Santiago
