

No. 10002

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**UNITED STATES OF AMERICA**  
**and**  
**URUGUAY**

**Agreement for sales of agricultural commodities (with annex). Signed at Montevideo on 19 January 1968**

*Authentic texts : English and Spanish.*

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

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**ÉTATS-UNIS D'AMÉRIQUE**  
**et**  
**URUGUAY**

**Accord relatif à la vente de produits agricoles (avec annexe). Signé à Montevideo le 19 janvier 1968**

*Textes authentiques : anglais et espagnol.*

*Enregistré par les États-Unis d'Amérique le 1<sup>er</sup> novembre 1969.*

AGREEMENT<sup>1</sup> BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF URUGUAY FOR SALES OF AGRICULTURAL COMMODITIES

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The Government of the United States of America and the Government of the Oriental Republic of Uruguay,

Recognizing the desirability of expanding trade in agricultural commodities between the United States of America (hereinafter referred to as the exporting country), and the Oriental Republic of Uruguay (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;

Have agreed as follows :

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<sup>1</sup> Came into force on 10 January 1968 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 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 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 Govern-

ment 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 Governments 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 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 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 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. *Definitions*

For the purpose 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 the importing country, 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 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</i>	<i>Approximate Maximum Quantity (Metric tons)</i>	<i>Maximum Export Market Value (\$1,000)</i>
Wheat and/or Wheat flour .	Calendar year 1968	200,000	\$12,490
Corn and/or grain sorghums.	United States Fiscal year 1968	100,000	\$4,840
Ocean transportation (estimated) . . . . .			\$1,950
		TOTAL	\$19,280

*Item II.* Payment Terms :A. *Dollar Credit*

1. Initial Payment — 5 percent.
2. Number of Installment Payments — 19.
3. Amount of each Installment Payment — approximately equal annual amounts.
4. Due Date of First Installment Payment — two years after date of last delivery of commodities in each calendar year.
5. Initial Interest Rate — 2 percent.
6. Continuing Interest Rate — 2½ percent.

*Item III.* Usual Marketing Requirements :

None.

*Item IV.* Export Limitations :

A. With respect to each commodity financed under this agreement the export limitation period for the same or like commodities shall be, for wheat and/or wheat flour, calendar year 1968 and any subsequent calendar year during which the wheat and/or wheat flour are being imported or utilized, and for corn and/or grain sorghums, United States fiscal year 1968 and any subsequent United States fiscal year during which the corn and/or grain sorghums are being imported or utilized.

B. For the purposes 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 : for wheat and/or wheat flour — food grains including all types of wheat and wheat products and rice; and for corn and/or grain sorghums — feed grains including corn, grain sorghums, rye, barley.

C. *Permissible Export (s)*

<i>Commodity</i>	<i>Quantity (Metric tons)</i>	<i>Period During Which Such Exports Are Permitted</i>
Rice . . . . .	49,000	Calendar Year 1968

*Item V.* Self-help Measures :

Within the framework of the Uruguayan “National Economic and Social Development Plan” the Government of the importing country undertakes to :

1. Increase actual budgetary support to its agricultural agencies and programs.

2. Press for the passage of the following legislative measures now pending before the Congress : The Seed Law, Forestation Law, Water and Soil Conservation Law, Fertilizer Law, Cooperative Law, and Tenancy Law.

3. Press for legislation that will : (a) replace the current system of export retentions with a land value and/or income tax system and (b) tax exports on a fixed *ad valorem* basis of real export price instead of on the basis of “aforo” value.

4. Review present price policy and develop a stable price and incentive program to increase livestock and agricultural production.

5. Conduct studies on export taxation, proposed agrarian reform law, restructuring of the rural credit system, and marketing, distribution, and storage systems in the public and private sectors, including agricultural cooperatives.

The local currency proceeds from the sales of the commodities in the importing country will be used primarily in the field of agriculture, including feeder roads, storage facilities, agricultural credit, port improvement and rural education.

*Item VI.* Economic Development Purposes for Which Proceeds Accruing to Importing Country are to be Used :

For purposes specified in Item V. and for other economic development purposes, as may be mutually agreed upon.

*Item VII.* Issuance of Purchase Authorizations :

Authorizations to purchase grain under the agreement would be issued in increments of approximately one-third of the value of the agreement. The first would be issued immediately after signature of the agreement, and issuance of the next two would be related to progress in signing the agricultural sector loan, a standby agreement with the IMF \* and passage into law of the six bills referred to in the self-help section.

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 Montevideo, in duplicate, this 19th day of January 1968 in the English and Spanish languages, both equally authentic.

For the Government of the United States of America :

John L. TOPPING

For the Government of the Oriental Republic of Uruguay :

H. LUISI

DOLLAR CREDIT ANNEX TO THE AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE ORIENTAL REPUBLIC OF URUGUAY 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

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\* International Monetary Fund.

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. For the period from the date the interest begins to the due date for the first installment payment, the interest shall be computed at the initial interest rate specified in Part II of this agreement. Thereafter, the interest shall be computed at the continuing interest rate specified in Part II of this agreement.

4. The Government of the importing country shall deposit the proceeds accruing to it from the sale of commodities financed under this agreement (upon the sale of the commodities within the importing country) in a special account in its name 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 Part II of this agreement in accordance with procedures mutually satisfactory to the two Governments. 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 by the Government of the importing country to private or nongovernmental organizations shall be loaned at rates of interest approximately equivalent to those charged for comparable loans in the importing country. The Government of the importing country 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.
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