

No. 10692

**UNITED STATES OF AMERICA
and
PHILIPPINES**

**Agreement for sales of agricultural commodities (with
annex). Signed at Manila on 24 March 1970**

Authentic text: English.

Registered by the United States of America on 1 September 1970.

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

**Accord relatif à la vente de produits agricoles (avec
annexe). Signé à Manille le 24 mars 1970**

Texte authentique : anglais.

Enregistré par les États-Unis d'Amérique le 1^{er} septembre 1970.

AGREEMENT¹ BETWEEN THE GOVERNMENT OF THE
UNITED STATES OF AMERICA AND THE GOVERNMENT
OF THE REPUBLIC OF THE PHILIPPINES FOR SALES
OF AGRICULTURAL COMMODITIES

The Government of the United States of America and the Government of the Republic of the Philippines:

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

¹ Came into force on 24 March 1970 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 period 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 Government of the United States of America in interest bearing accounts in banks selected by the Government of the United States 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 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 (Fiscal Year)</i>	<i>Approximate Maximum Quantity</i>	<i>Maximum Export Market Value (1,000)</i>
Cotton	1970	40,000 bales	\$4,950
Tobacco.	1970	2,800 metric tons	5,050
		TOTAL	<u>\$10,000</u>

Item II. *Payment Terms*

Dollar Credit

1. Currency Use Payment—40 percent of the dollar amount of the financing by the Government of the exporting country under this agreement is payable upon demand by the Government of the exporting country in accordance with paragraph 6 of the dollar

credit annex applicable to this agreement and on the following basis: the Government of the importing country agrees to the payment of \$3 million equivalent of pesos not later than June 1, 1970, without regard to the total amount disbursed by the Commodity Credit Corporation by that date. The remaining amount of the currency use payment will be due 90 days after Commodity Credit Corporation disbursement for each shipment. In accordance with paragraph 6 of the dollar credit annex to this agreement the applicable exchange rate will be that in effect on dates of these currency use payments.

2. Number of Installment Payments—18.
3. Amount of Each Installment Payment—approximately equal annual amounts.
4. Due Date of First Installment Payment—two years from date of last delivery of commodities in each calendar year.
5. Interest Rate—3.5 percent.

Item III. *Usual Marketing Table*

<i>Commodity</i>	<i>Import Period (Fiscal Year)</i>	<i>Usual Marketing Requirement</i>
Cotton . . .	1970	151,000 bales (of which at least 107,000 bales shall be imported from the United States of America)
Tobacco . . .	1970	2,200 metric tons (of which at least 2,100 MT shall be imported from the United States of America)

Item IV. *Export Limitations*

A. The export limitation period with respect to each commodity financed under this agreement for commodities the same as, or like, the commodities financed under this agreement shall be the period beginning on the date of this agreement and ending on the terminal date of the supply period or on the date when all of the relevant commodities have been imported and utilized, whichever date occurs later.

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 cotton—raw cotton and cotton textiles.

C. The Government of the Philippines agrees that should Philippine exports of cotton textiles be increased during United States fiscal year

1970 or any such subsequent supply period during which cotton is being imported or utilized, to over 41 million square yards, it will procure and import with its own resources from the United States of America an additional quantity of cotton at least equal to the raw cotton content of such increase in its textile exports.

Item V. *Self-Help Measures*

The Government of the Philippines continues to accord high priority to increasing agricultural production and improving marketing. Among the principal areas to be emphasized are the following:

1. The Government of the Philippines will make every effort to assure that credit needs of small farmers, particularly in designated land reform areas, are satisfied. Short term as well as medium and long term credit will be provided at reasonable interest rates.
2. The Government of the Philippines intends to focus priority attention to the establishment of a rational and comprehensive water development policy. The policy will insure that major efforts of government agencies are fully coordinated and directed to meeting the needs of the agricultural sector to the fullest extent and in the most efficient manner possible.
3. The Government of the Philippines will take all possible measures to minimize losses of food grains including the improvement of drying, milling and storage facilities.

Item VI. *Economic Development Purposes for Which Proceeds Accruing to the 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. *Other Provisions*

1. The Government of the exporting country shall bear the cost of ocean freight differential for commodities it requires to be carried in United States flag vessels, but notwithstanding the provisions of paragraph 1 of the dollar credit annex, it shall not finance the balance of the cost of ocean transportation of such commodities.

2. The currency use payment specified in Item II. 1. of this Part II shall be made in Philippine pesos at the applicable exchange rate specified in Part I, Article III G. of the agreement in effect on the date of payment and shall be used by the Government of the exporting country for the payment of its obligations in the importing country. The currency use

payment under Part II, Item II. 1. of this agreement shall be credited against (A) the amount of each year's interest payment due during the period prior to the due date of the first installment payment, starting with the first year, plus (B) the combined payments of principal and interest starting with the first installment payment, until the value of the currency use payment has been offset.

3. Notwithstanding paragraph 4 of the dollar credit annex, the Government of the importing country may withhold from deposit in the special account referred to in such paragraph so much of the proceeds accruing to it from the sale of commodities financed under this agreement as is equal to the amount of the currency use payment made by the Government of the importing country.

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 Manila, in duplicate, this 24th day of March 1970.

For the Government
of the United States
of America:

Henry A. BYROADE

For the Government
of the Republic
of the Philippines:

Carlos P. ROMULO

DOLLAR CREDIT ANNEX TO THE AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE REPUBLIC OF THE PHILIPPINES 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. The Government of the importing country shall deposit the proceeds from the 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 Item VI, 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 to private or nongovernmental organizations shall be loaned at rates of interests 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.
-