

No. 14246

**UNITED STATES OF AMERICA
and
CHILE**

Agreement for sales of agricultural commodities (with related notes). Signed at Santiago on 25 October 1974

Amendment of part II, item I, of the above-mentioned Agreement

Authentic texts: English and Spanish.

The Agreement and certified statement were registered by the United States of America on 27 August 1975.

**ÉTATS-UNIS D'AMÉRIQUE
et
CHILI**

Accord relatif à la vente de produits agricoles (avec notes connexes). Signé à Santiago le 25 octobre 1974

Modification de la partie II, point I, de l'Accord susmentionné

Textes authentiques : anglais et espagnol.

L'Accord et la déclaration certifiée ont été enregistrés par les États-Unis d'Amérique le 27 août 1975.

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

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

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 1 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;

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.

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.

¹ Came into force on 25 October 1974 by signature, in accordance with part III.

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 obligation to reimburse the Government of the exporting 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 initial payment as may be specified in Part II of this agreement. The amount of this payment shall be that portion 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. *Currency Use Payment*

The Government of the importing country shall pay, or cause to be paid, upon demand by the Government of the exporting country in amounts as it may determine, but in any event no later than one year after the final disbursement by the Commodity Credit Corporation under this agreement, or the end of the supply period, whichever is later, such payment as may be specified in Part II of this agreement pursuant to Section 103(b) of the Act (hereinafter referred to as the currency use payment). The currency use payment shall be that portion of the amount financed by the exporting country equal to the per-

centage specified for currency use payment in Part II. Payment shall be made in accordance with paragraph H and for purposes specified in Subsection 104 (a), (b), (e) and (h) of the Act, as set forth in Part II of this agreement. Such payment 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. Unless otherwise specified in Part II, no requests for payment will be made by the Government of the exporting country prior to the first disbursement by the Commodity Credit Corporation of the exporting country under this agreement.

C. *Type of Financing*

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

D. *Credit Provisions*

1. 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 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.

The 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.

2. Interest on the unpaid balance of the principal due the Government of the exporting country for the commodities delivered in each calendar year shall be paid as follows:

- a. In the case of Dollar Credit, interest shall begin to accrue on the date of last delivery of these commodities in each 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 annually and not later than the due date of each installment payment of principal.
- b. In the case of Convertible Local Currency Credit, interest shall begin to accrue on the date of dollar disbursement by the Government of the exporting country. Such interest shall be paid annually beginning one year after the date of last delivery of commodities in each calendar year, except that if the installment payments for these commodities are not due on some anniversary of such date of last delivery, any such interest accrued on the due date of the first installment payment shall be due on the same date as the first installment and thereafter such interest shall be paid on the due dates of the subsequent installment payments.

3. For the period of time 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.

E. *Deposit of Payment*

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 provided for in this agreement as follows:

1. 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.

2. 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.

F. *Sales Proceeds*

The total amount of the proceeds accruing to the importing country from the sale of commodities financed under this agreement, to be applied to the economic development purposes set forth in Part II of this agreement shall be not 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 (other than the ocean freight differential), provided, however, that the sales proceeds to be so applied shall be reduced by the currency use payment, if any, made by the Government of the importing country. 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 non-governmental 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 accordance with its fiscal year budget reporting procedure, at such times as may be requested by the Government of the exporting country but not less often than annually, a report of the receipt and expenditure of the proceeds, certified by the appropriate audit authority of the Government of the importing country, and in case of expenditures the budget sector in which they were used.

G. *Computations*

The computation of the initial payment, currency use payment and all payments of principal and interest under this agreement shall be made in United States dollars.

H. *Payments*

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

1. 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 or, in the case of currency use payments, used for the purposes set forth in Part II of this agreement; or

2. 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 or, in the case of currency use payments, used for the purposes set forth in Part II of this agreement in the importing country.

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 steps to assure that the exporting country obtains a fair share of any increase in commercial purchases of agricultural commodities by the importing country;
3. 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);
4. take all possible measures to prevent the export of any commodity of either domestic or foreign origin, which is defined in Part II of 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 the provisions of 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 Part II, Item I, 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 under the agreement: the name of each vessel; the date of arrival; the port of arrival; the commodity and quantity received; and the condition in which received;

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 Section A 2 and 3 of this Article; and
4. statistical data on imports by country of origin and exports by country of 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 on 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 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 in effect on the date of payment by the importing country which is not less favorable to the Government of the exporting country than the highest exchange rate legally obtainable in the importing country and which is not less favorable to the Government of the exporting country than the highest exchange rate 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 in the same manner as provided for in Subsection 103 (1) of the Act.

PART II. PARTICULAR PROVISIONS

I. *Commodity Table:*

<i>Commodity</i>	<i>Supply Period (U.S. Fiscal Year)</i>	<i>Approximate Maximum Quantity (Metric Tons)</i>	<i>Maximum Export Market Value (Millions)</i>
Wheat/Wheat flour	1975	100,000	\$17.1
		TOTAL	\$17.1

II. *Payment Terms:*

Dollar Credit

1. Initial Payment — None.
2. Currency Use Payment — 5 percent.
3. Number of Installment Payments — 19.
4. Balance Payable — Approximately equal annual installments.
5. Due Date of First Installment Payment — Two years after date of last delivery of commodities in each calendar year.
6. Initial Interest Rate — 2 percent.
7. Continuing Interest Rate — 3 percent.

III. *Usual Marketing Table:*

<i>Commodity</i>	<i>Import Period (U.S. Fiscal Year)</i>	<i>Usual Marketing Requirement</i>
Wheat/Wheat Flour	1975	484,000 metric tons

IV. *Export Limitations:*

A. The export limitation period shall be Fiscal Year 1975 or any subsequent Fiscal Year during which commodities financed under this agreement are being imported or utilized.

B. For the purpose of Part I, Article II A 4 of the agreement, the commodities which may not be exported are: for wheat/wheat flour — rolled wheat, semoline, farina or bulgur (or the same product under a different name).

V. *Self-Help Measures:*

The Government of Chile agrees to:

1. Institute a national irrigation water planning program.
2. Assist marketing and producer regional co-operatives both in financing and marketing programs.
3. Continue programs to provide realistic agricultural producer prices.
4. Continue programs to improve agricultural statistics.
5. Continue programs to improve livestock production.
6. Continue programs designed to increase production of fruit.

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

The proceeds accruing to the importing country from the sale of commodities financed under this agreement will be used for financing the self-help measures set forth in the

agreement and for the following economic development sectors: Agriculture, Nutrition and Housing.

PART III. FINAL PROVISION

A. This agreement may be terminated by either Government by notice of termination to the other Government for any reason, and by the Government of the exporting country if it should determine that the self-help program described in the agreement is not being adequately developed. Such termination will not reduce any financial obligations the Government of the importing country has incurred as of the date of termination.

This agreement shall enter into force upon signature.

B. IN WITNESS WHEREOF the respective representatives, duly authorized for the purpose, have signed the present agreement.

B. EN FE DE LO CUAL los respectivos representantes, debidamente autorizados para el efecto, han suscrito el presente Convenio.

DONE at Santiago, in duplicate, this 25th day of October, 1974.

OTORGADO en Santiago, en duplicado, este día 25 de Octubre de 1974.

For the Government
of the United States of America:

Por el Gobierno de Chile:

[Signed — Signé]¹

[Signed — Signé]¹

RELATED NOTES

I

EMBASSY OF THE UNITED STATES OF AMERICA

No. 487

Santiago, October 25, 1974

Excellency:

I have the honor to refer to the Agricultural Commodities Agreement between our two Governments signed today and to inform you of my Government's understanding of the following:

“The Government of Chile currently has a multiple rate system for foreign exchange. So long as this system prevails, the importing and exporting countries agree that the exchange rate used to complete local currency payments under this agreement will be the rate at which the Central Bank of Chile sells dollars in the brokers' market, net of banking charges. It is understood that the aforementioned rate is not less favorable than the rate required by Part I, Article III G, first sentence, of the October 25, 1974, Agricultural Commodities Sales Agreement between our two countries. It is further understood that if a significant change should occur in the exchange rate system of Chile before the local currency payments referred to above are completed, a new exchange rate for such conversions, consistent with the requirements of Part I, Article III G, to be applicable from the date of such change, will be determined by mutual agreement.”

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

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

DAVID H. POPPER

His Excellency Vice Admiral Patricio Carvajal
Minister of Foreign Relations
Santiago

¹ Signed by David H. Popper — Signé par David H. Popper.

¹ Signed by P. Carvajal — Signé par P. Carvajal.

II

[SPANISH TEXT — TEXTE ESPAGNOL]

REPÚBLICA DE CHILE, MINISTERIO DE RELACIONES EXTERIORES

Nº 18274

Santiago, 25 de octubre de 1974

Señor Embajador:

Tengo el honor de acusar recibo de su Nota Nº 487, de esta misma fecha, concerniente al Convenio sobre Productos Agrícolas entre nuestros dos Gobiernos, firmado en el día de hoy, y en la cual se dice lo siguiente:

“El Gobierno de Chile tiene actualmente un sistema de tasas múltiples para monedas extranjeras. Mientras se mantenga este sistema, el país importador y el país exportador acuerdan que el tipo de cambio que se usará para computar los pagos en moneda local bajo este Convenio será el precio al que el Banco Central de Chile vende el dólar en el mercado de corredores, libre de los recargos bancarios. Se entiende que el tipo de cambio anteriormente mencionado no es menos favorable que el tipo de cambio requerido según el Capítulo I, Artículo III G, primera frase, del Convenio sobre Ventas de Productos Agrícolas del 25 de octubre de 1974 entre nuestros dos países. Se entiende, además, que si ocurriera algún cambio significativo en el sistema cambiario de Chile antes que se hayan completado los pagos en moneda corriente mencionados más arriba, un nuevo tipo de cambio para tales conversiones, acorde con las estipulaciones del Capítulo I, Artículo III G, será determinado por acuerdo mutuo, efectivo desde la fecha de tal cambio.”

Mi Gobierno concuerda con el texto transcrito precedentemente, por lo cual la Nota de Vuestra Excelencia y la presente comunicación conforman un acuerdo entre ambas Partes.

Aprovecho la oportunidad para reiterar a Vuestra Excelencia las seguridades de mi más alta y distinguida consideración.

*[Signed — Signé]*PATRICIO CARVAJAL PRADO
Vicealmirante

Ministro de Relaciones Exteriores

Excelentísimo Señor David Henry Popper
Embajador de los Estados Unidos de América
Presente

[TRANSLATION — TRADUCTION]

REPÚBLICA DE CHILE, MINISTERIO DE RELACIONES EXTERIORES¹

Nº 18274

Santiago, October 25th, 1974

Excellency:

I have the honour to acknowledge receipt of your Note No. 487 of this date, concerning the Agricultural Commodities Agreement between our two Governments, signed today, and in which the following is stated:

¹ Republic of Chile, Ministry of Foreign Relations.

[See note I]

My Government agrees with the text transcribed, above, and therefore the Note of Your Excellency and this communication constitute an understanding among both Governments.

I avail myself of this opportunity to renew to Your Excellency the assurances of my highest consideration.

[Signed]

PATRICIO CARVAJAL PRADO
Vicealmirante

Ministro de Relaciones Exteriores¹

His Excellency David Henry Popper
Ambassador of the United States of America
Santiago

AMENDMENT TO THE AGREEMENT OF 25 OCTOBER 1974² BETWEEN
THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND
THE GOVERNMENT OF CHILE FOR SALES OF AGRICULTURAL
COMMODITIES

By an agreement in the form of an exchange of notes dated at Santiago on 22 November 1974, which came into force on 22 November 1974, the date of the note in reply, in accordance with the provisions of the said notes, it was agreed to substitute “187,000” for “100,000” and “\$33.6” for “\$17.1” in the table corresponding to Part II, item I.

[TRADUCTION — TRANSLATION]

ACCORD³ ENTRE LE GOUVERNEMENT DES ÉTATS-UNIS D'AMÉRIQUE
ET LE GOUVERNEMENT DU CHILI RELATIF À LA VENTE DE PRO-
DUITS AGRICOLES

Le Gouvernement des États-Unis d'Amérique et le Gouvernement du Chili,
Reconnaissant qu'il est souhaitable d'accroître le commerce des produits agricoles
entre les États-Unis d'Amérique (ci-après dénommés «le pays exportateur») et le Chili

¹ Vice-Admiral, Minister of Foreign Relations.

² See p. 306 of this volume.

³ Entré en vigueur le 25 octobre 1974 par la signature, conformément à la troisième partie.