No. 16059

UNITED STATES OF AMERICA
and
AFGHANISTAN

Agreement for sales of agricultural commodities (with minutes of understanding of 7 August 1976). Signed at Kabul on 8 August 1976

Authentic text: English.
Registered by the United States of America on 16 December 1977.

ÉTATS-UNIS D'AMÉRIQUE
et
AFGHANISTAN

Accord relatif à la vente de produits agricoles (avec procès-verbal d'accord du 7 août 1976). Signé à Kaboul le 8 août 1976

Texte authentique: anglais.
Enregistré par les États-Unis d'Amérique le 16 décembre 1977.

AGREEMENT[1] BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE REPUBLIC OF AFGHANISTAN FOR SALES OF AGRICULTURAL COMMODITIES

The Government of the United States of America and the Government of the Republic of Afghanistan,

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 Afghanistan (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:

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.

[1] Came into force on 8 August 1976 by signature, in accordance with part III (A).

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 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 percentage 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 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 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 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 sections 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 *(l)* of the Act.

PART II. PARTICULAR PROVISIONS

Item I. COMMODITY TABLE

Commodity	*Supply period (U.S. Fiscal Year)*	*Approximate maximum quantity (metric tons)*	*Maximum export market value (millions)*
Soybean/cottonseed oil	1976 plus July 1 through September 30, 1976	4,000	$2.6
		TOTAL	$2.6

Item II. PAYMENT TERMS

Convertible Local Currency Credit:

1. Initial payment—5 percent.
2. Currency use payment—10 percent for section 104(A) purposes.

3. Balance payable in installments of approximately equal annual amounts.
4. Number of installment payments—31.
5. Due date of first installment payment—10 years after date of last delivery of commodities in each calendar year.
6. Initial interest rate of 2 percent.
7. Continuing interest rate of 3 percent.

Item III. USUAL MARKETING REQUIREMENTS

Commodity	*Import period (U.S. Fiscal Year)*	*Usual marketing requirements (metric tons)*
Edible vegetable oil and/or oilseeds (oil equivalent basis)	1976 plus July 1 through September 30, 1976	7,300

Item IV. EXPORT LIMITATIONS

A. The export limitation period shall begin on the date the Agreement is signed and continue through U.S. fiscal year 1976 plus July 1 through September 30, 1976, or any other subsequent U.S. fiscal year during which commodities financed under this Agreement are being imported or utilized.

B. For the purpose of part I, article III A(4), of the Agreement, the commodities which may not be exported are: for soybean/cottonseed oil—all edible vegetable oils, including peanut oil, soybean oil, cottonseed oil, sunflower oil, sesame oil, rapeseed oil, and any other edible oil-bearing seeds from which these oils are produced except for sesame seed.

Item V. SELF-HELP MEASURES

A. In implementing self-help measures specific emphasis will be placed on contributing directly to development programs in poor rural areas and on enabling the poor to participate actively in increasing agricultural production through small farm agriculture.

B. The Government of the Republic of Afghanistan will implement programs to:

1. improve and increase Afghanistan's wheat production by developing a national wheat management program which will include a national wheat reserve and a price stabilization system;
2. improve husbandry practices through research and extension programs;
3. develop quick-yielding small-scale irrigation projects including (A) exploration and exploitation of ground-water, and (B) successful completion of ongoing irrigation and drainage projects;
4. expand and improve agricultural credit systems, particularly to the small farmer;
5. strengthen quality controls of perishable products such as fruits and raisins for both domestic and export markets;

6. improve the training and increase the number of qualified agricultural extension agents through the improvement and/or construction of agricultural schools in different parts of the country which would produce better trained agents who will particularly address small farmer production problems.

Item VI. ECONOMIC DEVELOPMENT PURPOSES FOR WHICH PROCEEDS ACCRUING TO IMPORTING COUNTRY ARE TO BE USED

A. 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 agriculture and economic development sectors: agriculture.

B. In the use of proceeds for these purposes emphasis will be placed on directly improving the lives of the poorest of the recipient country's people and their capacity to participate in the development of their country.

PART III. FINAL PROVISIONS

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.

DONE at Kabul, in duplicate, this eighth day of August, 1976.

For the Government of the Republic of Afghanistan:

[*Signed*]

Name: ALI AHMAD KHURRAM
Title: Minister of Planning

For the Government of the United States of America:

[*Signed*]

Name: THEODORE L. ELIOT, Jr.
Title: The Ambassador of the United States of America

MINUTES OF UNDERSTANDING REGARDING THE FISCAL YEAR 1976, PL 480, TITLE I, AGREEMENT OF AUGUST 8, 1976

The following operational aspects and implementation procedures applicable to this Agreement are:

(1) Commodities are to be purchased from private U.S. suppliers and actual prices are agreed upon between buyers and sellers (subject to price review by United States Department of Agriculture (USDA)).

(2) The Government of the Republic of Afghanistan (GOA) will designate one or more persons in the United States to consult with representatives of the Government of the United States of America (USG) to discuss the operation and procedures applicable to procurement, financing, reporting and ocean transportation, because of the complications involved in connection with the implementation of all the provisions of the Agreement. This consultation must be completed before any purchase authorizations are issued.

(3) The GOA will designate individuals or agencies in the recipient country with whom representatives of the USG may consult regarding the implementation of the Agreement such as *(a)* commodity arrival and off-loading information, *(b)* marking or identifying, *(c)* compliance with usual marketing requirements, *(d)* data relating to imports and exports, *(e)* carrying out self-help measures and *(f)* discussion of account figures.

(4) If services of a U.S. person or firm are required to handle procurement of the commodity and/or ocean transportation, such agent must be approved by the USDA. A copy of the written agreement between the authorized representative of the recipient Government and the U.S. agent must be submitted to USDA for approval prior to the issuance of applicable purchase authorizations.

(5) The GOA agrees to the identification of commodities and publicity of agreement, arrivals, etc., as follows:

For the purpose of carrying out the intention of section 103 *(l)* of PL 480 and of article III, paragraph 1, part I of the Sales Agreement it is agreed that the two Governments will cooperate in effecting publicity and identification of the commodities as follows:

(a) to the extent practicable, full press coverage, including photographs where possible, in national languages as well as English, will be given of the signing of the Sales Agreement, and any other publicity as deemed appropriate by the GOA and the USG;

(b) to the extent practicable, bags and containers used in transporting the commodities within Afghanistan will be marked as mutually agreed to show that the commodities were provided by the U.S. on a concessional basis.

(6) The usual marketing requirement (UMR) for each commodity is presumed to be the minimum quantity that would be imported through normal commercial channels in the absence of Title I sales agreement and, therefore, must be imported commercially even though the full allotment under Title I is not utilized by the GOA.

(7) Purchases against the UMRs are to be financed by the GOA from its own resources. However, short-term commercial credit is available through the Commodity Credit Corporation (CCC) Export Credit Sales Program, and this source of financing may be used to purchase the UMR. Commercial imports from countries that are not considered friendly to the U.S. and commodities imported as donations or grants received from the U.S. or other sources cannot be counted toward the UMRs.

(8) Should the USG authorize and finance deliveries of Title I commodities to extend beyond the supply period specified in part II of the Agreement, the GOA will be required to maintain the UMR again for the subsequent comparable period under this Agreement. This subsequent UMR will apply towards the UMR established if there is any new agreement.

(9) The GOA is advised that if it fails to comply with the provisions of part I, article III, A, 1, 2 or 3, of the Agreement or fails to comply with any other requirement of the Agreement this could result in withholding issuance of purchase authorizations and would be taken into account in consideration of new PL 480 agreements unless the situation is remedied. The remedy may take the form of dollar payment to the U.S. Government to the extent of the value of the violation or such other form as may be determined by the USG.

(10) The USG will take the following into consideration in determining the timing and terms and conditions of purchase authorizations: *(a)* availabilities of commodities, *(b)* crop years of USA and recipient country, *(c)* availability of ocean shipping space, *(d)* ability of recipient country to receive the commodity, *(e)* market implications and *(f)* the overall interest of the U.S. Government. Extensions of terminal contracting and delivery dates as a general rule are not made.

(11) 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 supplemental agreement. Purchase authorizations will require that invitations for bids for both commodity and freight must be submitted to Foreign Agriculture Service, USDA, so that USDA may ensure that invitations do not contain terms or conditions which may be in conflict with purchase authorization terms and PL 480 financing regulations.

(12) The GOA understands that the Food for Peace Act (PL 480) requires the Agreement to provide for termination whenever the USG finds that the self-help program described in the Agreement is not being adequately developed and that the USG may terminate the Agreement in such a case under the termination clause.

(13) It is understood that the GOA will take into consideration PL 480, section 103*(o)*, so that U.S. commercial agriculture exports may share equitably in any increase in Afghanistan's market for commercial imports.

(14) The USG representatives reminded the GOA representatives of their responsibilities for timely submission of reports as required under the Agreement. The GOA is also reminded that the Annual Self-help Report is due on December 1 each year. The USG representatives emphasized that the Annual Self-help Report should be a comprehensive analytic report covering the current year and containing a record of specific self-help achievements.

(15) The GOA and the USG will modify retroactively item IV of the Export Limitations provision of the PL 480, Title I, Agreement of February 21, 1973,[1] by *(a)* eliminating sesame seed from the export limitation of item IV (B), and *(b)* permitting the GOA to export sesame seed under item IV (A) of the export limitations. This modification will be accomplished in the near future by a formal exchange of notes.

(16) The GOA has been requested to include data on the export of sesame seed in the quarterly compliance report even though sesame seed is specifically excluded from the export limitations of the Agreement.

[1] United Nations, *Treaty Series*, vol. 944, p. 73.

The above sets forth the understanding between the Government of the Republic of Afghanistan and the United States Government.

For the Government of the Republic of Afghanistan:

[*Signed*]

Name: ALI AHMAD KHURRAM
Title: Minister of Planning
Date: August 7, 1976

For the Government of the United States of America:

[*Signed*]

Name: THEODORE L. ELIOT, Jr.
Title: The Ambassador of the United States of America
Date: August 7, 1976