

No. 16576

**UNITED STATES OF AMERICA
and
INDONESIA**

**Agreement for sales of agricultural commodities (with
agreed minutes). Signed at Jakarta on 17 May 1977**

Authentic text: English.

Registered by the United States of America on 27 April 1978.

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

**Accord relatif à la vente de produits agricoles (avec procès-
verbal approuvé). Signé à Jakarta le 17 mai 1977**

Texte authentique : anglais.

Enregistré par les États-Unis d'Amérique le 27 avril 1978.

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

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

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 Indonesia (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.

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

¹ Came into force on 17 May 1977 by signature, in accordance with part III (A).

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 pur-

suant 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 same 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 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 required 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 (I) of the Act:

PART II. PARTICULAR PROVISIONS

Item I. *Commodity table*

<i>Commodity</i>	<i>Supply period (U.S. CY)</i>	<i>Approx. max. quantity (metric tons)</i>	<i>Max. export market value (millions)</i>
Rice	1977	150,000	\$40.1
Wheat/wheat flour (wheat basis) ...	1977	60,000	6.6
		TOTAL	\$46.7

Item II. *Payment terms*

Convertible Local Currency Credit (CLCC)

- A. Initial payment — fifteen (15) percent.
- B. Currency use payment — ten (10) percent for section 104 (A) purposes.
- C. Number of installment payments — twenty (20).
- D. Amount of each installment payment — approximately equal annual amounts.
- E. Due date of first installment payment — six (6) years after date of last delivery of commodities in each calendar year.
- F. Initial interest rate — three (3) percent.
- G. Continuing interest rate — four (4) percent.

Item III. *Usual marketing table*

<i>Commodity</i>	<i>Import period (U.S. CY)</i>	<i>Usual marketing requirement</i>
Rice.....	1977	200,000 metric tons
Wheat/wheat flour (wheat basis)	1977	445,000 metric tons

Item IV. *Export limitations*

A. *Export limitation period.* The export limitation period shall be the United States Calendar Year 1977 or any subsequent U.S. Calendar Year in which commodities financed under this Agreement are being imported or utilized.

B. *Commodities to which export limitations apply.* For the purposes of part I, article III, A(4), of this Agreement, the commodities which may not be exported are: for rice — rice in the form of paddy, brown or milled; and for wheat/wheat flour — wheat/wheat flour, rolled wheat, semolina, farina and bulgur (or same products under a different name).

Item V. *Self-help measures*

The Government of the Republic of Indonesia continues to accord high national priority to increasing the production of food. To consolidate the gains of recent years and to assure continued progress, the GOI intends to:

- A. continue efforts to achieve progress in agricultural production through:
- (1) agricultural research;
 - (2) production and distribution of improved seeds;
 - (3) expansion of the supply of agricultural credit;
 - (4) strengthening agricultural extension; and
 - (5) expanding and improving agricultural education at the secondary and university levels;
- (research, extension and credit programs will include attention to improvement of tillage methods, improved irrigation and water use, and improvement of rice threshing methods to reduce damage to quality);
- B. improve the marketing system including procurement procedures for government stabilization programs and improvement of facilities for handling and storage of grains; needs relating to rice storage and handling in the Jakarta area, other major cities, and collection centers will receive specific attention;
- C. expand production of secondary crops such as corn, especially in multiple-cropping programs;
- D. expand the supply and improve the distribution of fertilizer, insecticides and herbicides;
- E. seek ways to broaden ownership of land by actual tillers, and to improve systems of water rights.

In implementing these self-help measures, the Government of the Republic of Indonesia will place specific emphasis on their contributing directly to development progress in poor rural areas and on enabling the poor to participate actively in increasing agricultural production through small farm agriculture.

Item VI. *Economic development purposes for which proceeds accruing to the 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 other projects and programs contained in the development budget of the Government of Indonesia.

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 Jakarta, Indonesia, in duplicate, this 17th day of May, 1977.

For the Government
of the United States of America:

[Signed — Signé]¹

For the Government
of the Republic of Indonesia:

[Signed — Signé]²

AGREED MINUTES

The following minutes of negotiations of the PL-480, Title I, Agreement of May 17, 1977, are agreed upon by the representatives of the signatory Governments:

1. The representatives of the Government of Indonesia understand that the preamble and parts I and III are standard and applicable to all Title I, PL-480, agreements.

2. The attention of the representatives of the Government of Indonesia has been called to the provisions of part II, specifically to the time period restrictions and quantities of rice and wheat required to be purchased commercially against the Usual Marketing Requirement (UMR) with its own resources.

3. In addition to the delivery limitations and UMR purchases noted in the preceding minute, the representatives of the Government of Indonesia understand that:

a. Shipments of commodities from the U.S. must be completed by September 30, 1977, since the financing for the Agreement will come from the United States FY 1977 budget. It is understood that commodity suppliers and vessel owners may not release commodities or allow loading of vessels until correct letters of credit are opened and that late or improperly opened letters of credit can seriously delay export of commodities. It is understood further that delayed opening of letters of credit could result in commodity suppliers canceling sales and ocean transportation suppliers canceling space.

b. All tendering for rice under the Agreement must be done by invitations for competitive bids conducted in the United States with public opening of bids and that awards shall be made on the basis on the lowest FAS vessel or FOB vessel bid price for the rice responsive to tender terms. It is understood further that freight tenders must also be conducted in the U.S. with public opening of bids; however, charterer retains right to negotiate;

c. Purchase authorizations issued under the Agreement will contain requirements that invitations for bids for both commodity and freight must be submitted to the Office of General Sales Manager, U.S. Department of Agriculture, Washington, D.C., for review and approval prior to their release to prospective bidders.

d. Imports from USSR, People's Republic of China, Eastern Europe (except Poland and Yugoslavia), Cuba, Socialist Republic of Vietnam and North Korea, commodities imported under PL-480, or grants received from the United States or other sources, cannot be counted toward the UMR.

¹ Signed by David D. Newsom — Signé par David D. Newsom.

² Signed by Adam Malik — Signé par Adam Malik.

4. The representatives of the Government of Indonesia understand that in case the unit prices become higher than those projected in valuing the Agreement, purchases will be limited to the dollar value specified in the Agreement. This is in accordance with article I, E, part I, of the Agreement.

5. The representatives of the Government of Indonesia understand that short-term commercial credit (6 to 36 months) is available through the CCC Export Credit Sales Program to Indonesian buyers purchasing wheat and rice, but subject first to the Government of Indonesia's request for and approval of a CCC credit line to Indonesia by the United States Department of Agriculture and that this source of financing may be used to satisfy the UMR. It is understood further that other eligible commodities not included under the Agreement may be requested also for CCC credit financing.

6. The Government of Indonesia will take effective steps to reduce losses connected with the handling and storage of PL-480 commodities; will enforce strict accountability for the commodities until they are in the hands of the private trade; and, in case of damage or loss attributable to the ocean carrier, will make and vigorously follow up claims for reimbursement for such damage or loss.

7. The Government of Indonesia understands that if it engages the services of a U.S. person or firm as its agent to handle the procurement of a commodity and/or ocean transportation, such agent must be approved by the United States Department of Agriculture. A copy of the written agreement between the Government of Indonesia and the U.S. agent must be submitted to the United States Department of Agriculture for approval prior to the issuance of the applicable purchase authorization.

8. The representatives of the Government of Indonesia have been informed that recent legislation affecting sections 106 (B) and 109 (A) of PL-480 requires: (1) specific emphasis on implementation of self-help measures so as to contribute directly to development progress in poor rural areas and to enable the poor to participate actively in increasing agricultural production through small farm agriculture; and (2) use of proceeds for purposes which directly improve the lives of the poorest of the recipient country's people and their capacity to participate in the development of their country. These new requirements are specifically noted in item VI, B, part II, of the Agreement.

9. The representatives of the Government of Indonesia understand that certain reports are required in connection with the Agreement, on the arrival and disposition of commodities, permissible exports, the use of sales proceeds, progress in agricultural self-help and the allocation of rupiahs generated by the Agreement. The representatives of the Government of Indonesia will make appropriate arrangements to:

- a. furnish the Embassy of the United States of America a report by the fifteenth of January, April, July and October under provisions contained in article III, D, of the Agreement;
- b. return completed "shipping and arrival information" (ADP Sheets) with appropriate notations certifying receipt of all commodities as soon as possible, but not later than 30 days from the date of unloading or 30 days from the receipt of the ADP Sheets, whichever is later;
- c. furnish the Embassy of the United States of America a report of the receipt and expenditures of the proceeds accruing from the sale of commodities financed under the Agreement. This is in accordance with article II, F, part I, of the Agreement;

d. submit an annual report on progress of agricultural self-help by November 15. The representatives of the Government of Indonesia agree further to hold quarterly self-help meetings with appropriate representatives of the United States Government in an effort to substantially increase the impact of the self-help measures on agricultural production and improve the quality and responsiveness of the annual self-help report. These meetings will be held at approximately three-month intervals beginning in June with the time and location to be determined by the representatives of the Government of Indonesia.

10. In compliance with the provisions of article III, I, of the Agreement, the Government of Indonesia agrees to give publicity to the provisions of the Agreement by issuing suitable press releases at the time of signing and at the time of issuance of each purchase authorization applied for under the Agreement.

DONE at Jakarta on this 17th day of May, 1977.

United States of America:

[Signed — Signé]¹

Republic of Indonesia:

[Signed — Signé]²

¹ Signed by Verle E. Lanier — Signé par Verle E. Lanier.

² Signed by Bustanil Arifin — Signé par Bustanil Arifin.