No. 17500

UNITED STATES OF AMERICA
and
PAKISTAN

Agreement for sales of agricultural commodities (with minutes of the meeting held on 14 December 1977). Signed at Islamabad on 22 December 1977

Amendment to the above-mentioned Agreement

Authentic text: English.

Agreement and certified statement were registered by the United States of America on 22 January 1979.

ÉTATS-UNIS D'AMÉRIQUE
et
PAKISTAN

Accord relatif à la vente de produits agricoles (avec procès-verbal de la réunion tenue le 14 décembre 1977). Signé à Islamabad le 22 décembre 1977

Modification de l'Accord susmentionné

Texte authentique: anglais.

L'Accord et la déclaration certifiée ont été enregistrés par les États-Unis d'Amérique le 22 janvier 1979.

AGREEMENT[1] BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF PAKISTAN FOR THE SALES OF AGRICULTURAL COMMODITIES UNDER THE PUBLIC LAW 480, TITLE I, PROGRAM

The Government of the United States of America and the Government of Pakistan have agreed to the sales of agricultural commodities specified below. This Agreement shall consist of the preamble, parts I and III of the Title I Agreement signed on November 23, 1974[2] together with the following part II:

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)*
Wheat/wheat flour (grain basis)	1978	200,000	$22.4
Soybean/cotton seed oil	1978	80,000	$35.2
TOTAL			$57.6

Item II. PAYMENT TERMS (CONVERTIBLE LOCAL CURRENCY CREDIT)

1. Initial Payment, 5 percent.

2. Currency use payment, none.

3. Number of installments payments, 31.

4. Amount of each installment payment, approximately equal annual amounts.

5. Due date of first installment payment, 10 years after date of last delivery of commodities in each calendar year.

6. Initial interest rate, 2 percent per annum.

7. Continuing interest rate, 3 percent per annum.

[1] Came into force on 22 December 1977 by signature, in accordance with part III.
[2] United Nations, *Treaty Series*, vol. 1052, p. 160.

Item III. USUAL MARKETING TABLE

Commodity	*Import period (U.S. Fiscal Year)*	*Usual marketing requirements (metric tons)*
Wheat/wheat flour (grain equivalent basis)	1978	100,000
Edible vegetable oil and/or oil-bearing seeds (oil equivalent basis)	1978	145,000 (of which at least 45,000 shall be from the United States of America)

Item IV. EXPORT LIMITATIONS

A. The export limitation period shall be U.S. Fiscal Year 1978 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 wheat/wheat flour — wheat, wheat flour, rolled wheat, semolina, farina or bulgur (or the same product under a different name); and 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 vegetable oil or oil bearing seeds from which these oils are produced.

Item V. SELF-HELP MEASURES

A. In implementing these self-help measures specific emphasis will be placed on 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.

B. The Government of Pakistan agrees to implement a comprehensive oilseed strategy designed to increase domestic oilseed and vegetable oil production. As part of the overall strategy special attention shall be made to increase per acre production of indigenous oilseeds; introduce potential new oilseed crops for edible and industrial use; to improve the current handling and procurement facilities for both indigenous and new improved varieties of oilseeds; and provide adequate price incentives to farmers for key oilseed crops. In implementing the production strategy the Government of Pakistan further agrees to:

1. Substantially increase recovery of oils by modernizing and expanding the solvent extraction plants and obtain better utilization of existing extraction processes for mustard and rapeseed by using the Filtrex method;
2. Develop coordination capability by the National Agricultural Research Council for research on oilseed crops currently conducted at the various provincial research stations which will (A) conduct studies on oil quality, the economics of oilseeds and production costs, etc.; (B) carry out research on insect, pest and other factors relating to oilseeds; (C) conduct work on oilseeds and oil

cake prices and procurement programs; (D) provide advisory and extension service to farmers and processors, including publicity, publications, etc.;

3. Further promote the consumption and utilization of refined cooking oil to relieve the demand for higher priced hydrogenated oils (Vanaspati) which would provide additional nutritional benefits, as well as lower costs to consumers;
4. Increase the availability of rural credit to the private oilseed sector to purchase fertilizer, to use improved and new seeds and for local levelling and other land improvements;
5. To strengthen oilseed prices by the establishment of a floor price for new oilseed crops and improved procurement prices for existing oilseeds in order to cover cost of production and provide the grower with production incentive;
6. Insure that adequate collaboration and coordination takes place among the various Government and private entities responsible for the different portions of an oilseed program.

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; water resources; population planning.

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.

DONE at Islamabad, in duplicate, this 22nd day of December, 1977.

For the Government of Pakistan:
By: [*Signed*]
Name: SARFRAZ KHAN MALIK
Title: Additional Secretary
Economic Affairs Division

For the Government of the United States of America:
By: [*Signed*]
Name: ARTHUR W. HUMMEL, Jr.
Title: Ambassador of the United States of America

MINUTES OF THE MEETING HELD DECEMBER 14, 1977, REGARDING THE FISCAL YEAR 1978 P.L. 480, TITLE I, AGREEMENT OF DECEMBER 22, 1977

The following subjects were discussed:

I. POLICY OBJECTIVES WITH REGARD TO WHEAT

The Government of Pakistan ("Pakistan") representatives confirmed that the Government's three major goals in connection with wheat production and distribution are:

— Goal I: pursue price and procurement policies which will effectively promote the goal of national "self-sufficiency" in wheat;

— Goal II: utilize the most cost-effective means of insuring that adequate supplies of quality wheat are available at "fair prices" to low income urban consumers;

— Goal III: create and efficiently operate storage and handling facilities necessary to the pursuit of goals I and II above.

In support of these goals, the Pakistan representatives stated that the Government is committed to the following policies and actions:

Policies and actions in support of goal I: wheat self-sufficiency

A. *Procurement price.* A major Government objective in establishing the wheat procurement price is to insure that production incentives are adequate to meet national production targets. In view of the fact that the current wheat/fertilizer price ratio has been in effect for two growing seasons, the Government will carefully review the adequacy of these prices and if any adjustments are necessary to preserve production incentives price revisions will be announced well in advance of the sowing of the 1978 crop.

B. *Free movement of wheat.* The Government reaffirmed its commitment to a general policy of permitting the unrestricted movement of wheat from surplus to deficit areas throughout the country during the 77/78 crop year. Exceptions to this policy pertain to areas contiguous to national borders and are intended to prevent smuggling.

C. *Marketing.* The Government also reaffirmed its commitment to a general policy of not imposing any restrictions on the storage and holding of wheat by farmers and intermediaries during the 1978/79 crop year.

Policies and actions in support of goal II: efficient wheat distribution system

A. *Wheat distribution to low-income consumers.* The Government regards the distribution of subsidized wheat exclusively to low-income consumers as desirable. However, there are problems in developing operational definitions of this target group and effective mechanisms for channeling food aid to it. The Government is interested in improving methods of effectively targeting subsidized wheat to low income urban consumers.

B. *Increase the retail price of ration shop atta.* The Government intends to review the feasibility of increasing the retail price of ration shop atta.

C. *Sales of public sector stocks on the open market.* The Government regards the sale of public sector wheat stocks in the open market as a useful mechanism for stabilization of wheat prices. However, the Government's ability to do so hinges on the adequacy of public sector stocks.

D. *A more efficient ration shop system.* The Provincial Governments have initiated action to reduce the number of duplicate and fraudulent ration cards. Data on the initial Provincial Government efforts in this regard will be made available to the USG by December 31, 1977, and on a continuing basis thereafter.

Policies and actions in support of goal III: efficient storage and handling system

A. *Establish a special storage unit.* The Government has established a special unit on storage for all major agricultural commodities in the Food Division of the Ministry of Food and Agriculture. Four professional positions have been approved and efforts now are underway to recruit staff. The Government is committed to filling all of these positions prior to the commencement of Canadian Technical Assistance.

B. *Master plan for storage sector.* With technical assistance from the Canadian Government, the Government is committed to the preparation of a Master Plan which will serve as the basis for the development of a comprehensive national storage program for all major agricultural commodities.

C. *Operational plans for procurement and storage of the 1977-78 wheat crop.* The Government will prepare detailed operational plans for the timely procurement, handling, transport and storage including emergency storage of the 1977/78 wheat crop and assign responsibility for efficient implementation of this plan to appropriate entities.

II. POLICY OBJECTIVES WITH REGARD TO EDIBLE OIL

The Pakistan representatives agreed that the growing gap between domestic oil production and consumption represents an increasingly serious claim on scarce foreign exchange reserves. Accordingly, the following actions have been or will be taken pursuant to the May 1977 "Report on Oilseeds Production Strategy" and the June 1977 *Aide-Memoire* "Pakistan's Requirements of Edible Oils/Fats for 1977/78".

A. *Management of oilseed program.* After the transfer of Pakistan Edible Oils Corporation (PEOC) and the Ghee Corporation of Pakistan (GCP) from the Ministry of Agrarian Management to the Ministry of Industries, the responsibility of PEOC towards promotion of oilseeds cultivation and increasing the production of indigenous edible oils would remain unaffected and the PEOC would make all possible efforts to promote and coordinate work in this field with the active collaboration of the Ministry of Agriculture, Provincial Agriculture Departments, Agriculture Research Council (ARC), the nation's credit institutions, farmers and the private oil mills.

B. *Organization of PEOC.* A separate Division has been established in the PEOC for implementing an effective Oilseed Production Strategy in collaboration with all concerned.

C. *Procurement.* Procurement centers for non-traditional oilseed crops (primarily sunflower, safflower and soybean) are being established by the PEOC and operated in conjunction with the National Bank of Pakistan and provincial food departments. Procurement prices for the non-traditional crops will be reviewed carefully prior to the next sowing season to assure that the price provide adequate incentive to farmers for production.

D. *Seed.* PEOC in collaboration with Ministry of Agriculture, Provincial Agriculture Departments, Agriculture Research Council (ARC), nation's credit institutions and private growers will continue to help provide the farmers with appropriate seed on a timely basis.

E. *Processing.* By providing market for their edible oils, PEOC accept to help the solvent extraction plants and oil expelling units to work properly and to expand/modernize their machinery. PEOC would also conduct studies to determine the economic/financial feasibility of establishment of new solvent extraction plants.

F. *Research.* Funding has been approved and work is now underway in ARC's oilseed research program. Appointment of a fulltime national oilseeds coordinator is expected in the near future. In addition specialists for each of the edible oil crop will be added to the Pakistan Agricultural Research Center (PARC) staff.

G. *Consumption of refined oil.* The Pakistan representatives agreed on the desirability of shifting consumption from hydrogenerated ghee to refined oil. In this connection, a substantially lower price on refined oil will be tested to stimulate the substitution of oil for ghee.

III. OPERATIONAL ASPECTS AND SPECIAL PROVISIONS

A. *Periodic meetings.* In order to keep better informed on progress in carrying out Government of Pakistan policies on wheat and edible oil stated in parts I and II above, the USG and Pakistan representatives agreed that meeting every four months would be desirable. The format and participants for the initial meeting in April 1978 will be worked out by both Parties.

B. *Recent changes in P.L. 480 law and regulations.* The USG representatives advised that pursuant to new legislative and regulatory requirements:

(a) Purchase authorizations will be issued under the Agreement only after the Secretary of Agriculture has determined that (i) adequate storage facilities are available in the recipient country at the time of exportation to prevent the spoilage or waste of the commodity, and (ii) the distribution of the commodity in the recipient country will not result in a substantial disincentive to domestic production;

(b) Purchases of food commodities under the Agreement must be made on the basis of invitations for bid (IFB) publicly advertised in the United States and on the basis of bid offerings which must conform to the IFB; bid offering must be received and publicly opened in the United States; all awards under IFB's must be consistent with open, competitive, and responsive bid procedures;

(c) The terms of all IFB's (including IFB's for ocean freight) must be approved by the General Sales Manager, United States Department of Agriculture, prior to issuance;

(d) Commissions, fees or other payments to any selling agent are prohibited in any purchase of food commodities under the Agreement.

(e) If the Government of Pakistan nominates a purchasing agent and/or shipping agent to procure commodities or arrange ocean transportation under the Agreement the Government of Pakistan must notify the General Sales Manager, United States Department of Agriculture, in writing of such nomination and provide along with the notification a copy of the proposed agency agreement; all purchasing and shipping agents must be approved by the General Sales Manager's Office in accordance with new regulatory standards designed to eliminate certain potential conflicts of interest.

C. *Coordination with Pakistan Embassy/Washington.* The Pakistan representatives assured the USG representatives that suitable arrangements have been made to forward to its Embassy in Washington all instructions, information and authority necessary to enable timely implementation of the Agreement, including *(a)* commodity specifications; *(b)* contracting and delivery periods; *(c)* names and addresses of U.S. and foreign banks handling transactions (Letters of

Credit for commodity and freight); *(d)* authority to request and sign purchase authorizations and other necessary documents; *(e)* complete instructions/information/ authority regarding arrangements for purchasing commodities and contracting for freight (including the appointment of purchasing and/or shipping agents if applicable); and *(f)* instructions to contact Program Operations Division, Office of the General Sales Manager, United States Department of Agriculture, regarding the foregoing.

D. *P.L. 480 standard provisions.* The USG representatives distributed to the Pakistan representatives copies of the preamble and parts I and III of the Title I Agreement signed on November 23, 1974, pointing out that in accordance with the usual practice, these provisions are made a formal part of the Title I Agreement being negotiated. These standard provisions contain useful information relating to such matters as usual marketing requirements, export limitations, and definitions of delivery, import and utilization of commodities. Certain of the standard provisions were discussed, and the Pakistan representatives said they would refresh their recollection of these provisions.

E. *Usual marketing requirements.* The USG representatives called attention to part II, item III, of the Agreement which provides for Usual Marketing Requirements (UMRs) of *(a)* 100,000 metric tons of wheat/wheat flour (on a grain equivalent basis) and *(b)* 145,000 metric tons (of which at least 45,000 metric tons shall be imported from the United States) of edible vegetable oil and/or oil bearing seeds for commercial import during fiscal year 1978.

F. *Agricultural disincentives storage and transport.* The USG representatives stressed that under new legislative changes (per paragraph B above) the U.S. Government is concerned that P.L. 480 programs do not become a disincentive to local agricultural production and that adequate storage and transport facilities will be available for the imported commodities. The USG representatives pointed out that shoud any additional P.L. 480, Title I, commodities, i.e., in addition to those contained in this Agreement, be made available to the Government of Pakistan in FY 1978, it will be necessary in the administrative approval process to make a determination that the additional or new commodities will not cause a substantial disincentive to production in Pakistan and that adequate storage and transport facilities will be available for the imported commodities.

G. *Identification and publicity.* Pakistan 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 P.L. 480 and of article III, paragraph I, of 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) Full press coverage, including photographs where possible, in national languages as well as in English, will be given of *(a)* the signing of the Sales Agreement, *(b)* issuances of Purchase Authorizations, *(c)* each major off-loading of commodities at Pakistan ports, and *(d)* shipments of substantial quantities of commodities from main godowns at port to specific division-level godowns;

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

H. *Reporting.* The USG representatives called attention to the Government of Pakistan's responsibilities for the timely submission of reports. The reports required under the Agreement include compliance, arrival and shipping information (ADP sheets), self-help and financial use of sales proceeds matters. The USG representatives mentioned that the monthly reports on wheat and edible vegetable oil requirements and supplies being submitted pursuant to earlier P.L. 480 agreed minutes are in addition to the standard quarterly P.L. 480 compliance reports presently being submitted to the U.S. Embassy's Agricultural Attache.

I. *Self-help measures and use of proceeds.* Recent legislation affecting section 106*(b)* and 109*(a)* of P.L. 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 reflected in items V and VI of part II of the Agreement.

J. *Ocean freight charges.* USG representatives pointed out that under P.L. 480 financing regulations the importing country is required to have operative Letters of Credit for 100 percent of ocean freight charges opened in favor of the supplier of ocean transportation not later than 48 hours prior to vessel's presentation for loading. The Pakistan representatives said that these requirements would be met.

K. *Commodity and funding availabilities.* The Pakistan representatives pointed out that there was "an inconsistency in the commodity and funding levels provided in the Agreement". They asserted that in order for Pakistan to be able to purchase 200,000 tons of wheat and 80,000 tons of edible oil at current prices, the dollar amounts in part II of the Agreement should read $25 million and $42 million, respectively, instead of the contract figures of $21.6 million and $36 million. The USG representatives agreed that because of recent commodity price increases, the dollar amounts in the Agreement would not, at present prices, yield the commodity levels mentioned, but pointed out that the quantity column in the commodity table in item I, part II, of the Agreement is headed "Approximate Maximum Quantity" and the value column is headed "Maximum Export Market Value". Hence the 200,000 tons and 80,000 tons figures are only approximate whereas the $21,6 million and $36.0 million figures are maximum figures. This is further explained in article I E. of part I of the Agreement. The Pakistan representatives stated that they are familiar with this customary provision of P.L. 480 Agreements but they expressed the view that at the time of signature of the Agreement there should be a rough equivalency between the dollar level and commodities to be provided. The Pakistan representatives then enquired as to the feasibility of increasing the dollar funding in the Agreement so that the anticipated quantities could be purchased. The USG representatives explained that the dollar figures shown were the initial allocations to Pakistan of the worldwide total available for all P.L. 480 programs and that there might be adjustments within the global total that would enable Pakistan to seek a further dollar allocation at a later date. The USG representatives were doubtful that the dollar figures could be increased at this time, pointing out procedural difficulties, expected delays and probable lack of success in obtaining Washington approval at this time. After some discussion it was decided that the Agreement would be signed with the present commodity and funding levels, subject to article E of Part I of the Agreement. USG representatives agreed to report Pakistan's concern to

Washington after signature of the Agreement and to enquire as to the possibility of further dollar allocations.

L. *Food for development.* The Pakistan representatives expressed interest in the new "Food for Development" Title III of P.L. 480 and enquired whether the loan forgiveness provisions of Title III could be made applicable to this Agreement. The USG representatives replied that they were still awaiting detailed implementation instructions on new Title III, but that the loan forgiveness authority, when implemented, could only be applied prospectively, and thus could not be applied to this Agreement. Both sides agreed that Title III represented a potentially important development resource for Pakistan, and that they will consult further on the design and carrying out of potential Food for Development projects.

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

For the Government of Pakistan:

By: [*Signed*]
Name: SARFRAZ KHAN MALIK
Title: Additional Secretary
Economic Affairs Division

For the Government of the United States of America:

By: [*Signed*]
Name: ARTHUR W. HUMMEL, Jr.
Title: Ambassador of the United States of America

AMENDMENT TO THE AGREEMENT OF 22 DECEMBER 1977[1] BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF PAKISTAN FOR THE SALES OF AGRICULTURAL COMMODITIES UNDER THE PUBLIC LAW 480, TITLE I, PROGRAM

By an agreement in the form of an exchange of notes dated at Islamabad on 10 April 1978, which came into force on 10 April 1978, the date of the note in reply, in accordance with the provisions of the said notes, the above-mentioned Agreement of 22 December 1977 was amended as follows:

(A) In part II, commodity table, under appropriate columns:

(i) For wheat/wheat flour delete "$22.4 million" and insert "$24.2 million"; and

(ii) Under Maximum Export Market Value of line designated Total delete "$57.6 million" and insert "$59.4 million."

[1] See p. 108 of this volume.