

No. 18042

**UNITED STATES OF AMERICA
and
BANGLADESH**

Agreement for sales of agricultural commodities (with agreed minutes). Signed at Dacca on 13 January 1978

Exchange of notes constituting an agreement amending the above-mentioned Agreement. Dacca, 3 March 1978

Exchange of notes constituting an agreement amending the above-mentioned Agreement of 13 January 1978, as amended (with agreed minutes and related letters dated 16 March and 31 March 1978). Dacca, 11 April 1978

Exchange of notes constituting an agreement further amending the above-mentioned Agreement of 13 January 1978, as amended (with agreed minutes). Dacca, 23 May 1978

Authentic texts: English.

Registered by the United States of America on 14 November 1979.

AGREEMENT¹ BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF BANGLADESH FOR SALES OF AGRICULTURAL COMMODITIES UNDER PUBLIC LAW 480 TITLE I PROGRAM

The Government of the United States of America and the Government of the People's Republic of Bangladesh have agreed to the sales of agricultural commodities specified below. This Agreement shall consist of the preamble, Parts I and III, of the PL-480 Title I Agreement of October 4, 1974,² together with the following Part II:

I. COMMODITY TABLE

<i>Commodity</i>	<i>Supply Period (U.S. Fiscal Year)</i>	<i>Approximate Max. Quantity (Metric Tons)</i>	<i>Max. Export Market Value (Millions)</i>
Wheat/Wheat Flour (Grain Basis)	1978	100,000	\$10.6
Cotton	1978	35,000 (Bales)	\$10.6
		TOTAL	\$21.2

II. PAYMENT TERMS

(Convertible Local Currency Credit)

1. Initial payment — none.
2. Currency use payment — one percent for Section 104(A) purposes.
3. Number of installment payments — thirty-one.
4. Amount of each installment payment — approximately equal annual amounts.
5. Due date of first installment payment — ten years after date of last delivery of commodities in each calendar year.
6. Initial interest rate — two percent.
7. Continuing interest rate — three percent.

III. USUAL MARKETING TABLE

<i>Commodity</i>	<i>Import Period (U.S. Fiscal Year)</i>	<i>Usual Marketing Requirements</i>
Wheat and/or Wheat Flour (Grain Equivalent Basis)	1978	None
Cotton	1978	130,000 Bales

IV. EXPORT LIMITATIONS

(A) The export limitation period shall be fiscal year 1978 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 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); for Cotton — upland cotton and cotton textiles (including yarn and waste);

¹ Came into force on 13 January 1978 by signature.

² United Nations, *Treaty Series*, vol. 967, p. 203.

and for Soybean/Cottonseed Oil — all edible vegetable oils, including peanut oil, soybean oil, cottonseed oil, sunflower oil, rapeseed oil, sesame oil and any other edible oil or oil-bearing seeds from which these oils are produced, except for 5,000 metric tons of sesame seeds and 10,000 metric tons of peanuts for use other than for crushing.

V. SELF-HELP MEASURES

(A) The Government of Bangladesh will continue to place special emphasis on actions 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 Bangladesh agrees to: (1) improve the system for the distribution of agricultural inputs to ensure greater accessibility by all farmers; (2) pursue agricultural research goals which aim to increase and diversify food production through the extension service and by other means to Bangladeshi farmers; (4) strengthen rural institutions and promote participation in agriculture and other productive processes; (5) strengthen and expand cash-based rural works programs generating rural purchasing power; and (6) reduce subsidies on agricultural inputs commensurate with incentive price levels for foodgrain production.

(C) The Government of Bangladesh further agrees to:

- (1) Ensure remunerative prices for domestic agricultural production by making timely and appropriate efforts to reach the Government's fiscal year 1977-78 voluntary procurement target of 500,000 tons of foodgrains; by encouraging, in addition, the active participation of private dealers in food procurement; gradually constraining offtakes from the ration system in a phased manner; and by limiting all foodgrain imports to the minimum necessary to meet the difference between domestic production and total domestic requirements;
- (2) Establish within two to four years a permanent grain price stabilization program. The program will include the following components:
 - a. Appropriate Government of Bangladesh institutions charged with developing policy options for the Government with respect to the rationalization of agricultural development goals, rural income and employment goals and maintenance of reliable supplies of foodgrains for the urban sector and the society's destitute;
 - b. Government of Bangladesh intervention in domestic grain markets and/or increased private sector participation in such markets to maintain domestic foodgrain prices;
 - c. With other policy changes leading to foodgrain self-sufficiency, the Government of Bangladesh will undertake a phased reduction beginning in fiscal year 1978 of the ration system bearing in mind prevailing conditions, including levels of domestic production and procurement, by reducing the geographic coverage, number of ration card holders, amounts of subsidies, and the quantities of ration per card holder provided through this system;
- (3) Improve procedures and systems for the feeding of destitute people on a when and where needed basis to ensure adequate levels of nutritional intake;
- (4) Continue to improve and upgrade foodgrain storage and stock management to ensure the effective and economic management of its foodgrain stock and distribution system;

- (5) Expand the number of fertilizer retail outlets and simplify procedures in order to increase access by small farmers and thus stimulate food crop production;
- (6) Provide to the United States Government monthly (within thirty days of the close of the month) statistics on its foodgrain stock position (e.g. opening stocks, actual arrivals, actual offtakes, and actual procurement and closing stocks) and forecasts of future foodgrain stock positions under various agricultural conditions;
- (7) Reduce the number of ration card holders under the statutory ration by recalling a significant number of cards from the most affluent card holders as of January 1, 1978;
- (8) Announce the procurement price for the spring 1978 boro crop, including high yielding varieties;
- (9) Actively procure foodgrains, especially high yielding varieties, on a voluntary basis throughout fiscal year 1978, and initiate the 1977-78 aman procurement drive;
- (10) Expand the number of procurement centers by including the use of every local supply depot as a procurement center throughout the year;
- (11) Continue to limit during fiscal year 1978 modified rationing to Class A card holders, except in emergency;
- (12) Increase edible oilseed crop production target to a level of 200,000 tons in 1977/78;
- (13) Continue to constrain edible oil offtakes from the public ration system at the level of 3,000 metric tons per month except under emergency conditions;
- (14) Maintain the ration price of edible oil to equal or exceed the import value C.I.F. Chittagong.

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

The importing country undertakes to use the commodities provided hereunder (other than any part of such commodities excluded herefrom by subsequent agreement of the parties) or the proceeds generated by their sale, for specific projects or programs which directly benefit the needy people of that country, and to furnish to the exporting country information that demonstrates how such projects or programs will benefit such needy people. Such information shall be furnished, with respect to the commodities covered by each purchase authorization issued hereunder by the exporting country, prior to the issuance of such purchase authorization. Such information shall be deemed to be incorporated in, and to be part of, this Agreement.

A report on such use shall be submitted by the importing country within six months after each delivery of commodities to the importing country hereunder.

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

DONE at Dacca, in duplicate, this 13th day of January 1978.

For the Government
of the United States of America:

[Signed]

ALF E. BERGESEN
Chargé d'affaires *ad interim*

For the Government
of the People's Republic of Bangladesh:

[Signed]

A. M. A. MUHITH
Secretary
External Resources Division
Ministry of Planning

AGREED MINUTES OF MEETINGS BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA (USG) AND THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF BANGLADESH (BDG) FOR NEGOTIATING A PL-480 TITLE I AGREEMENT FOR FY 1978

1. *Reference to the FY 1975 PL-480 Title I Agreement:*

USG officials pointed out that the Preamble, Part I and Part III of the FY 1975 PL-480 Title I Agreement signed October 4, 1974, and the agreed minutes contained herein, will be considered an integral part of the FY 1978 PL-480 Title I Agreement.

2. *Financial Terms:*

USG officials explained that the financial terms as set forth in Part II, Item II, of the proposed Agreement include: convertible local currency credit (CLCC) terms of forty years' credit, including a ten-year grace period, interest rates of two percent during the grace period and three percent thereafter, no initial payment, and one percent current use payment (CUP) limited to Section 104(A) uses.

3. *Commodity Composition:*

(A) USG officials noted that the proposed commodity composition, as shown in Part II, Item I, of the Agreement, provides for supply in FY 1978 of 100,000 metric tons of wheat/wheat flour, with an export market value of \$10.6 million and 35,000 bales of cotton with an export market value of \$10.6 million. The U.S. is not able to respond favorably to the BDG's request for tallow in the FY 1978 Agreement.

(B) If commodity prices increase, the quantity to be financed under the proposed Agreement would be less than the approximate maximum quantity set forth in the same Commodity Table. Should commodity prices decrease, however, the quantity to be financed under the proposed Agreement would be limited to that specified in the Commodity Table.

4. *Export Limitations:*

(A) In response to the BDG's request for a waiver of the export limitation provisions in Section IV, B, of the Agreement concerning cotton and cotton textiles, USG officials stated that the USG could not agree to such a waiver. Therefore the USG officials proposed and the BDG officials agreed that should Bangladesh export cotton, cotton textiles and cotton products, any such exports would be offset by commercial imports of cotton from the U. S. in addition to imports required to meet the usual marketing requirements, and that such cotton imports should equal or exceed the cotton content equivalent of the exports of cotton, cotton products and cotton textiles. In addition the BDG agreed to supply the USG export data for such products by kind of product in measurable quantitative units.

(B) USG officials informed BDG officials in response to the request of the BDG that a limited waiver of the export limitation concerning oilseeds in Section IV, B, of the Agreement is granted, allowing export of 5,000 metric tons of sesame seeds and 10,000 tons of peanuts in FY 1978. This waiver is based on the following understanding: A) the exports contemplated under this waiver would be edible nuts, not seeds to be used for oil crushing; B) there is an export market and a buyer available so that foreign exchange will be generated; C) these exports do not threaten the world market for U.S. products or the economy of the South Asian region; D) the BDG has demonstrated an immediate concern for expanding domestic processing capability; and E) the BDG is making efforts to expand production of peanuts and such expansion is in the interests of the USG as well as the BDG. USG officials also stated that the limited waiver of the export limitation clause allowing export of 5,000 metric tons of sesame seeds and 10,000 tons of peanuts is in response to the BDG's request and desire to export groundnuts and sesame seeds during FY 1978 and that this is a one-time waiver and does not constitute a precedent. USG officials observed that the self-help conditions concerning vegetable oil in previous PL-480 Title I Agreements remain binding.

5. *Usual Marketing Requirements (UMR's):*

(A) USG officials explained that because of the BDG's financial situation, the USG is again waiving the UMR for wheat/wheat flour in FY 1978. Thus Part II, Item II, in the proposed Agreement does not provide a Usual Marketing Requirement for wheat/wheat flour for FY 1978. However they requested that if the BDG decides to purchase commercial imports of foodgrains in FY 1978, U.S. suppliers be given an opportunity to participate in these sales.

(B) USG officials explained further that because Bangladesh has purchased almost all of its cotton on a commercial basis, the proposed Agreement establishes a Usual Marketing Requirement (UMR) of 130,000 bales of cotton. USG officials explained that the USG takes note of the fact that the BDG is currently purchasing cotton under World Bank IDA financing which requires cotton procurement to be made available to all bidders under international tenders. Therefore the USG agreed to withdraw a U.S. tied provision of 85,000 bales under the Usual Marketing Requirement of 130,000 bales as long as the BDG provides U.S. cotton suppliers with every opportunity to compete for sales of cotton under international tenders. It is further understood that the BDG will agree in principle to the establishment of a tied UMR for U.S. cotton at such time as cotton is purchased with free foreign exchange.

6. *Self-Help Measures and the Use of Commodities or Proceeds:*

(A) USG officials brought to the attention of the BDG officials the recent legislation affecting Sections 106(b) and 109(a) of PL-480 which requires: (1) specific emphasis on implementation of self-help measures so as to contribute directly to development progress in poor rural areas and on enabling the poor to participate actively in increasing agricultural production through small farm agriculture; and (2) use of commodities or proceeds for purposes which directly improve the lives of the poorest of Bangladesh's people and Bangladesh. These new requirements are reflected in Items V and VI of Part II of the proposed FY 1978 Agreement.

(B) USG officials stated that the self-help measures enumerated in Part II of the Agreement are intended to support the BDG's national goals of rural development and of achieving foodgrain self-sufficiency.

(C) BDG officials stated with reference to Part II, Item V, C, 7, of the proposed Agreement that the Government of Bangladesh has taken a policy decision to reduce the number of ration card holders under the Statutory Rationing System by withdrawing the ration cards from the affluent sections of the society. In fact, necessary preliminary measures have already been initiated. However, as the administrative measures to develop a methodology and its implementation are procedurally difficult and time-consuming, the implementation of this decision may be delayed by a few weeks from the intended date of January 1, 1978. However the

Ministry of Food will try to implement the decision of the Government as quickly as possible in the earliest part of 1978.

(D) BDG and USG officials discussed further the use of wheat and cotton in fulfillment of Item VI of Part II of the Agreement for purposes which directly improve the lives of the needy people in Bangladesh. BDG officials agreed to provide an amount of wheat at least equivalent to that being supplied under the Agreement to needy people at concessional prices through the Modified Ration System during the twelve-month period from the date of signature of the Agreement. BDG officials stated that under this system food is distributed at subsidized prices to poor people primarily in rural areas. BDG officials agreed that cotton in an amount at least equal to that provided under the Agreement will be provided for use in the handloom industry and/or for production of the inexpensive cloth affordable by poor purchasers during the twelve-month period from the date of signature of the Agreement. BDG officials described the handloom industry: it includes approximately 350,000 handlooms; each loom employs on the average two persons who can earn a wage slightly higher than the prevailing agricultural wage most of the year. The village handloom industry is the largest single employer of the rural poor outside of the agricultural sector. Also the production of cheap woven lungis and sarees is the major cloth consumption item for 70 to 80 percent of the total population. The BDG officials stated their belief that additional cotton provided under Title I would benefit the needy people of Bangladesh by increasing rural, non-agricultural employment and thereby making available cheap cloth to the rural poor. USG officials commented that the information regarding provision of wheat and cotton as described above would fulfill the requirements for such information required to be furnished by the Government of Bangladesh pursuant to Part II, Item VI, of the Agreement.

(E) USG officials explained with reference to the requirement under Item VI of Part II of the Agreement for a report on the use of commodities or proceeds that the report should describe the use of wheat and cotton in accordance with the understanding noted in the preceding paragraph. This statement should contain sufficient detail to support a reasonable conclusion that these programs help needy people. BDG officials asked if this particular six-month reporting requirement could be waived, noting the stringency of the reporting requirements under the Agreement. USG officials stated that all reports required under the Agreement were obligatory and essential to fulfillment of the Agreement.

7. *New Requirements:*

The USG officials informed the BDG officials that recent U.S. legislation (The International Development and Food Assistance Act, effective October 1, 1977, and the Food and Agriculture Act of 1977) and amendments to Title I Financing Regulations contain certain provisions affecting the development, implementation and operation of PL-480 programs. These provisions were described as follows:

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

2. 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.

3. The terms of all IFB's (including IFB's for ocean freight) must be approved by the General Sales Manager/USDA prior to issuance.

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

5. If the Government of Bangladesh nominates a purchasing agent and/or shipping agent to procure commodities or arrange ocean transportation under the Agreement, the BDG must notify the General Sales Manager/USDA 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.

8. *Implementation of Agreement:*

During the negotiations USG officials requested and received from the BDG officials assurances that arrangements have been made by appropriate BDG authorities to relay to its Washington Embassy all instructions, information and authority necessary to enable timely implementation of the Agreement, including (1) commodity specifications, (2) contracting and delivery periods, (3) names and addresses of U.S. and foreign banks handling transactions (letters of credit for commodity and freight), (4) authority to request and sign purchase authorizations and other necessary documents, (5) 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 (6) instructions to contact Program Operations Division, Office of the General Sales Manager, USDA, regarding the foregoing.

9. *Letters of Credit:*

USG officials advised BDG officials that U.S. commodity suppliers are refusing to load vessels when acceptable letters of credit for both commodity and freight supplier are not available at the time of loading. This has already resulted in costly claims by vessel owners for demurrage and/or detention claims and carrying charges by commodity suppliers. Delays in opening letters of credit and settlement of final ten percent of freight will also result in higher commodity prices and freight rates. BDG officials assured USG officials that appropriate measures will be taken to ensure that operable letters of credit for both commodity and freight will be opened and confirmed by designated U.S. banks immediately after contracting under each purchase authorization is concluded, and not later than forty-eight hours prior to vessel's presentation for loading.

The above sets forth the understanding between the USG and the BDG.

For the Government
of the United States of America:

[Signed]

ALF E. BERGESEN
Chargé d'affaires *ad interim*

For the Government
of the People's Republic of Bangladesh:

[Signed]

A. M. A. MUHITH
Secretary
External Resources Division
Ministry of Planning

January 13, 1978

EXCHANGE OF NOTES CONSTITUTING AN AGREEMENT¹ BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF BANGLADESH AMENDING THE AGREEMENT OF 13 JANUARY 1978² FOR SALES OF AGRICULTURAL COMMODITIES

I

*The American Chargé d'affaires ad interim to the Bangladesh Secretary
Ministry of Planning*

EMBASSY OF THE UNITED STATES OF AMERICA
DACCA

March 3, 1978

Dear Mr. Muhith,

We have the honor to refer to the Public Law 480 Title I Agricultural Sales Agreement signed by representatives of our two governments on January 13, 1978,² and propose that the Agreement be amended as follows:

(A) In Part II, Item I, Commodity Table, under the column for Wheat/Wheat Flour entitled "Maximum Export Market Value"—delete "\$10.6" and insert "\$11.6"; and

(B) Under the column for "Maximum Export Market Value" on the line stating "Total", delete "\$21.2" and insert "\$22.2".

All other terms and conditions of the January 13, 1978, Title I Agreement remain the same. We propose this note and your reply concurring therein constitute agreement between our two governments, effective the date of your note in reply.

Please accept the assurances of our highest consideration.

ALF E. BERGESEN

A. M. A. Muhith
Secretary
Ministry of Planning
Dacca, Bangladesh

¹ Came into force on 3 March 1978, the date of the note in reply, in accordance with the provisions of the said notes.

² See p. 184 of this volume.

II

*The Bangladesh Joint Secretary, External Resources Division, Ministry of Planning,
to the American Chargé d'affaires ad interim*

From: M. Lutfullahil Majid
Joint Secretary

MINISTRY OF PLANNING
EXTERNAL RESOURCES DIVISION
GOVERNMENT OF THE PEOPLE'S REPUBLIC OF BANGLADESH
DACCA

Dated: 3-3-1978

D.O.No. ERD/USA (PL-480)-2/77

Dear Mr. Bergesen,

I have the honour to refer to PL-480 Title I Agricultural Sales Agreement signed by the representatives of our two Governments on January 13, 1978, and we concur to the amendments as proposed in your note dated March 3, 1978, addressed to Mr. A. M. A. Muhith, Secretary, External Resources Division, Ministry of Planning as follows:

[See note I]

2. Your note of March 3, 1978, and this reply concurring to the proposals made therein constitute an agreement between our two Governments effective this date.

3. Please accept the renewed assurances of our highest consideration.

Yours sincerely,

[Signed]

M. LUTFULLAHIL MAJID

Mr. Alf E. Bergesen
Chargé d'affaires
Embassy of the United States of America
Dacca

EXCHANGE OF NOTES CONSTITUTING AN AGREEMENT¹ BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF BANGLADESH AMENDING THE AGREEMENT OF 13 JANUARY 1978² FOR SALES OF AGRICULTURAL COMMODITIES, AS AMENDED³

I

*The American Ambassador to the Bangladesh Secretary, External Resources Division,
Ministry of Planning*

EMBASSY OF THE UNITED STATES OF AMERICA
DACCA

April 11, 1978

Dear Mr. Muhith,

I have the honor to refer to the PL-480 Title I Agricultural Sales Agreement signed by representatives of our two governments on January 13, 1978,² as amended March 3, 1978,³ and propose the agreement be amended as follows:

In Part II, Item I, Commodity Table, under appropriate columns (1) for Wheat/Wheat Flour delete "100,000" and "\$11.6" and insert "200,000" and "\$25.5"; (2) for Cotton delete "\$10.6" and insert "\$10.0"; and (3) under Maximum Export Market Value on line designated Total delete "\$22.2" and insert "\$35.5".

All other terms and conditions of the January 13, 1978, Agreement, as amended March 3, 1978, would remain the same. We propose this note and your reply concurring therein constitute an agreement between our two governments effective the date of your note in reply.

Please accept the assurances of my highest consideration.

DAVID T. SCHNEIDER

A. M. A. Muhith
Secretary
External Resources Division
Ministry of Planning
People's Republic of Bangladesh
Dacca, Bangladesh

¹ Came into force on 11 April 1978, the date of the note in reply, in accordance with the provisions of the said notes.

² See p. 184 of this volume.

³ See p. 191 of this volume.

II

*The Bangladesh Secretary, External Resources Division, Ministry of Planning,
to the American Ambassador*

From: Mr. A. M. A. Muhith
Secretary

MINISTRY OF PLANNING
EXTERNAL RESOURCES DIVISION
GOVERNMENT OF THE PEOPLE'S REPUBLIC OF BANGLADESH
DACCA

April 11, 1978

No. ERD/USA(PL 480)-3/77
Excellency,

[See note I]

3. Your note of April 11, 1978, and this reply concurring to the proposals made therein constitute an agreement between our two Governments effective this date.

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

[Signed]

A. M. A. MUHITH

H. E. Mr. David T. Schneider
Ambassador Extraordinary and Plenipotentiary
American Embassy
Dacca

AGREED MINUTES OF MEETINGS BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA (USG) AND THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF BANGLADESH (BDG) FOR AMENDMENT OF THE JANUARY 13, 1978, PL-480 TITLE I AGREEMENT, AS AMENDED

1. *Self-Help Measures and the Use of Commodities or Proceeds:*

USG officials emphasized that the requirement in Part II, Item VI, of the FY 1978 PL-480 Title I Agreement dated January 13, 1978, as amended, and the elaboration thereof in paragraph 6 of the Agreed Minutes of the same date concerning the use of commodities for needy people and the requirement for reporting on such use, also apply under the terms of the Agreement to the 100,000 tons of wheat to be provided under the proposed amendment. The BDG officials affirmed that an amount of wheat at least equivalent to the 100,000 tons to be provided under the amendment would be supplied to needy people at concessional prices through the Modified Ration System during the 12-month period from the date of signature of the Agreement. BDG officials noted that under this system food is distributed to poor people primarily in rural areas.

USG officials further reminded BDG officials, with reference to the requirement in Item VI, Part II, of the FY 1978 Title I Agreement for a report on the use of the commodity or proceeds, that the report should include the use of the additional 100,000 tons of wheat to be provided under the proposed amendment. They noted further that this statement should contain sufficient detail to support a reasonable conclusion that needy people are the beneficiaries.

2. *Implementation of FY 1977 and FY 1978 Title I Agreements:*

USG and BDG officials agreed that a letter dated March 16, 1978, from Joseph Toner, Director of USAID, to A. M. A. Muhith, Secretary, External Resources Division, Ministry of Planning, concerning implementation of the FY 1977 and FY 1978 PL-480 Title I Agreements and Mr. Muhith's letter of response dated March 31, 1978, would be incorporated into these Agreed Minutes. Copies of these letters are attached.

Attachments:

As stated

For the Government
of the United States of America:

[Signed]

DAVID T. SCHNEIDER
Ambassador Extraordinary
and Plenipotentiary

April 11, 1978

For the Government
of the People's Republic of Bangladesh:

[Signed]

A. M. A. MUHITH
Secretary
External Resources Division
Ministry of Planning

April 11, 1978

RELATED LETTERS

I

UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
DACCA, BANGLADESH

March 16, 1978

Dear Mr. Secretary,

The purpose of this letter is to bring to your attention several matters which relate to the implementation of FY 1977 and FY 1978 PL 480 Title I Agreements. I just noted the statement in the press of March 16, of the Government's intention with respect to previously announced changes in the handling of food ration cards. The operative paragraph of the press handout as reported in the Bangladesh Observer is as follows:

"But it is a matter of regret that certain interested quarters are said to have been trying to create some misunderstanding among the innocent people by spreading rumors with ulterior motives that the ration cards in excess of six in a family shall be cancelled and that food supply shall be denied to a family having a monthly income of taka 1600 or more. This is not based on facts. The Government wish to state clearly that there is no intention to cancel genuine ration cards or to stop supply of foodstuff to any body in the rationing area. People with genuine ration cards need not have any fear. It is hoped that any confusion on this issue will be removed after this clarification."

If this is the position of the Government, it seems to be at variance with the following statements:

Bangladesh Government paper for the *Mid-Year Review of Food Situation 1977-78*, published by the ERD (distributed for the January 19, 1978, food meeting in Washington).

“(iv) The number of ration cards per family has been limited to a maximum of six.

“(v) Decision has been taken to exclude all families earning monthly income of Tk. 1600 and above from rationing facilities. It will take about a month to take all the steps to make this decision effective.”

On March 1, 1978, we received from the Government its detailed self-help report for the FY 1977 PL 480 Title I Agreement. In this paper on page 6, item vi:

“The Government have decided to exclude all families earning monthly income of Tk.1600/— and above from rationing facilities.

“(vii) The number of ration cards per family has been limited to six.”

If you will recall in the Bilateral Agreement relating to PL 480 Title I, dated April 1, 1977, and amended June 30, 1977, and August 8, 1977,¹ Item V, subparagraph C, 7, of the self-help measures included the following language:

“Reduce the number of ration card holders under the statutory ration by recalling a significant number of cards from the most affluent card holders as of January 1, 1978.”

This language of course echoes the statements of Dr. Huda, the Honorable Advisor in Charge of the Ministry of Planning at the mid-year food review on January 19, where he said on Page 4 of his opening statement:

“7. Steps are being taken to exclude the higher income groups with monthly income of Tk. 1600/— and above from rationing facilities.”

It would appear to us that on the basis of the press statements the Government has reversed the position that was taken at the Donors meeting in January and in the self-help report in March and in the discussions between our Governments in the negotiations on the PL 480 Agreements for this year. We find it difficult to explain the discrepancy between the positions as publicized now and the agreements as reached a very short time ago. We will welcome, at the earliest possible date, a statement by your Government which clarifies this apparent contradiction.

We are also concerned about a possible change of signals in the procurement area and the full implementation of Government policy with respect to the rice-wheat ratio under Statutory Rationing and Priorities.

At the January food review meeting, the assembled donors warmly congratulated the Bangladesh Government for its excellent efforts with the domestic procurement program. The donors also welcomed Dr. Huda's statement that:

“For planning purposes, a target of 500,000 tons has been set, but the intention is to purchase whatever quantity is offered at the support price.”

On March 14, 1978, we received the World Food Programme's new Foodgrain Forecast which indicates that the targets for domestic procurement have been revised from 50,000 tons to 10,000 tons of wheat in April and from 50,000 tons of Boro rice in May to 10,000 tons in May and 5,000 tons in June.

¹ United Nations, *Treaty Series*, vol. 1115, p. 2.

As you know we regard the procurement of Boro rice and wheat, particularly the high-yielding varieties, as a crucial incentive to the further expansion of agricultural production. Therefore, we would appreciate your clarification of whether these new targets reflect revised Government objectives or a considered judgment as to the amounts which may actually be procured under the conditions which may prevail April through June.

On the question of the ration mix, rice to wheat, we were encouraged by the Government's statements in the mid-year food review paper and in your detailed report on the FY 1977 PL 480 Title I self-help measures. In the latter report, we noted the following statement:

- "iv) The ratio of rice and wheat in the S. R. areas and for essential priority groups has been changed from existing 2 rice:1 wheat to equal amount of rice and wheat."

According to data provided by the Ministry of Food we note that some progress has been made in the last eight months but the full implementation of this policy change has not been achieved. Specifically, for February the ratio in S. R. areas appears to be 1.2 parts rice to 1 part wheat while the ratio for the Priorities group appears to be about 1.4 parts rice to 1 part wheat. In the light of this information, we would welcome any information you might provide concerning when full implementation of this food policy measure may be expected.

In addition to the foregoing, we have recently been informed by officials of the Bangladesh Textile Mills Corporation that the BTMC on February 10 concluded an agreement for purchase of 50,000 bales of cotton from Pakistan. Of this quantity we understand that 28,000 bales are to be purchased for cash and the remainder under other sources of financing.

The purchase of the 28,000 bales from Pakistan appears to be inconsistent with your government's undertaking under the FY 1978 PL 480 Title I Agreement set forth in Section 6(B) of the Agreed Minutes, which states:

"USG officials explained further that because Bangladesh has purchased almost all of its cotton on a commercial basis, the proposed agreement establishes a Usual Marketing Requirement (UMR) of 130,000 bales of cotton. USG officials explained that the USG takes note of the fact that the BDG is currently purchasing cotton under World Bank IDA financing which requires cotton, procurement to be made available to all bidders under international tenders. Therefore the USG agreed to withdraw a U.S.-tied provision of 85,000 bales under the Usual Marketing Requirement of 130,000 bales as long as the BDG provides U.S. cotton suppliers with every opportunity to compete for sales of cotton under international tenders. It is further understood that the BDG will agree in principle to the establishment of a tied UMR for U.S. cotton at such time as cotton is purchased with free foreign exchange."

My Government has asked us to seek a clarification of the apparent inconsistency between the recent cash purchase of Pakistani cotton and your Government's undertaking to allow every opportunity to U.S. suppliers to compete for sales under inter-

national tenders, and to agree to a tied UMR for any purchase of cotton with free foreign exchange. I would be grateful for your comments.

Sincerely yours,

[Signed]

JOSEPH S. TONER
Director

Mr. A. M. A. Muhith
Secretary
External Resources Division
Ministry of Planning
Dacca, Bangladesh

cc: Mr. L. R. Khan
Secretary
Ministry of Food

II

From: A. M. A. Muhith
Secretary

MINISTRY OF PLANNING
EXTERNAL RESOURCES DIVISION
GOVERNMENT OF THE PEOPLE'S REPUBLIC OF BANGLADESH
DACCA

Dated March 31, 1978

No. ERD/USA-III(PL-480)-3/77

Dear Mr. Toner,

Kindly refer to your letter of March 16 covering various issues on food distribution and procurement.

The stated objective of the government in the field of procurement has been maintenance of a minimum price as an incentive to farmers. There is no departure from this policy. In fact, it is being pursued with greater interest. The procurement apparatus is fully geared to lift HYV Boro rice and wheat in the targeted quantities. In view, however, of the rising price trend, the Food Ministry forecasts that only limited quantities will be available for procurement at the price offered by the government. The basic policy of procuring whatever quantities are available at the declared price supported by a decentralised procurement machinery remains valid.

In the field of distribution, the objective of the government is to provide for a gradual shift in favour of the poorer sections of the community through the public distribution system. There is the other objective of reducing subsidy and that is to be achieved through increase in issue price as well as reduction in the offtake of rice under the public distribution system. Wheat/rice ratio in the statutory rationing areas has been fixed at 1:1 with effect from the 1st of January, 1978. Due to stable

rice price in the market many card holders prefer buying part of their requirement in the form of rice from the open market instead of lifting the full permissible wheat quota from the ration shops. As a result, in the statutory rationing areas while full quota of rice has been lifted it has not happened in the case of wheat quota.

The government decided to make the higher income group ineligible for the statutory rationing system and move them to essential supply shops where foodgrains will be sold at a higher price. It was indicated that compilation of the list of ineligible and introduction of the new system would take some time. Accordingly, the process was started and a lot of administrative and legal difficulties cropped up. In collecting information on family income it appeared that no workable index was available except for the fixed salaried groups. The institution of joint family has also created problems. It has become necessary, therefore, to carry out a rather lengthy exercise, and it appears that the original timetable is not practicable. Shortly we should be firming up a new timetable for introduction of the proposed measures. It would be inappropriate to introduce them right now as price trend is on the increase. I may, however, point out that during the interim period we have already eliminated 96,000 ration cards in the statutory rationing areas. Issue of new ration cards has also been severely restricted. While urban population is increasing at 8% per annum in the recent past, issue of new ration cards has been at the rate of 1% only. This represents a calculated shift in favour of the open market and acts as deterrent against unwanted migration to the urban areas. It should also be noted that increasingly more foodgrains are being issued in the public distribution system in the rural areas. The rationalisation of the food distribution system should be viewed as a package and it should be judged on the basis of overall impact on the flow of services to the different income groups and allocation between the urban and the rural areas. The press note of March 16 was issued to dispel some misgivings that food distribution in the urban areas was being radically changed overnight which would have a destabilizing impact on the trend of foodgrains price. Food being sensitive and highly predominant in the typical family budgets, accommodation of some short-term priorities in its longer term planning is important.

As to the question of issuing six ration cards per family, I may state that the policy is being followed for quite some time. At present, 80% of ration card holders in the statutory rationing areas are affected by this policy.

The position has already been discussed with you by Secretary Food and Mr. Majid of External Resources Division. Besides, issues of food policy are always under discussion with you. I hope this letter will finally clarify all the issues.

I would like to emphasise that our planning of food imports is based on the assumption that 100,000 tons of foodgrains under PL 480 Title I would arrive in Bangladesh by June. Even with better performance on procurement because of increase in offtake, we would have a year-end stock of less than 800,000 tons. If because of delay in negotiation, 100,000 tons of PL 480 foodgrains do not arrive by June, the stock position at the beginning of the lean season would be even worse. I am sure you will agree that we should not allow such a situation to develop as it did last year. I would, therefore, request you to complete negotiations for the second lot of PL 480 Title I supplies immediately. In this negotiation is also included shipment of soyabean oil. It is necessary that that commodity also moves fast; otherwise it will be difficult to hold the already disturbed price line.

I look forward to our discussions in the near future on PL 480 Title III Programme which is of great interest to us. I believe, at this meeting, we can jointly explore a number of broad policy issues relating to food distribution. We believe, as

you do, that all steps should be taken to facilitate food distribution on the basis of equity and reasonable price to all elements of our economically disadvantaged population.

I expect to write to you again shortly clarifying the position on procurement of cotton which was also raised in your letter under reference.

With regards,

Yours sincerely,

[Signed]

A. M. A. MUHITH

March 31, 1978

Mr. Joseph S. Toner
Director
USAID, Dacca

EXCHANGE OF NOTES CONSTITUTING AN AGREEMENT¹ BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF BANGLADESH FURTHER AMENDING THE AGREEMENT OF 13 JANUARY 1978² FOR SALES OF AGRICULTURAL COMMODITIES, AS AMENDED³

I

*The American Ambassador to the Bangladesh Secretary, External Resources Division,
Ministry of Planning*

EMBASSY OF THE UNITED STATES OF AMERICA
DACCA

May 23, 1978

Dear Mr. Muhith,

I have the honor to refer to the PL-480 Title I Agricultural Sales Agreement signed by representatives of our two governments on January 13, 1978,² as amended March 3, 1978,³ and April 11, 1978,³ and propose the agreement be further amended as follows:

(A) In Part II, Item I, Commodity Table, under appropriate columns insert "Soybean/Cottonseed Oil, 1978, 30,000, \$16.1". Under Maximum Export Market Value on line designated Total delete "\$35.5" and insert "\$51.6".

(B) In Part II, Item III, Usual Marketing Table, under appropriate columns insert "Edible Vegetable Oil and/or Oil-Bearing Seeds (oil equivalent basis), 1978, None".

(C) In Part II, Item V, Self-Help Measures, (1) delete the text of subparagraph (C) (13) and insert as the new text for this subparagraph "Continue to constrain edible oil offtakes from the public ration system in all categories except Modified Ration and Relief at the level of 3,000 metric tons per month except under emergency conditions."; and (2) add the following subparagraph after subparagraph (C) (14), "(15) Limit edible oil offtakes in the Modified Ration System to classes A, B and C card holders except under emergency conditions."

All other terms and conditions of the January 13, 1978, Title I Agreement, as amended, would remain the same. We propose this note and your reply concurring

¹ Came into force on 23 May 1978, the date of the note in reply, in accordance with the provisions of the said notes.

² See p. 184 of this volume.

³ See pp. 191 and 193 of this volume.

therein constitute an agreement between our two governments effective the date of your note in reply.

Please accept the assurances of my highest consideration.

DAVID T. SCHNEIDER

A. M. A. Muhith
Secretary
External Resources Division
Ministry of Planning
People's Republic of Bangladesh
Dacca, Bangladesh

II

*The Bangladesh Secretary, External Resources Division, Ministry of Planning,
to the American Ambassador*

From: Mr. A. M. A. Muhith
Secretary

MINISTRY OF PLANNING
EXTERNAL RESOURCES DIVISION
GOVERNMENT OF THE PEOPLE'S REPUBLIC OF BANGLADESH
DACCA

May 23, 1978

D.O.No. ERD/USA(PL-480)-3/77

Excellency,

[See note I]

3. Your note of May 23, 1978, and this reply concurring to the proposals made therein constitute an agreement between our two Governments effective this date.

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

[Signed]

A. M. A. MUHITH

H.E. Mr. David T. Schneider
Ambassador Extraordinary and Plenipotentiary
American Embassy
Dacca

AGREED MINUTES OF NEGOTIATIONS BETWEEN THE UNITED STATES OF AMERICA (USG) AND THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF BANGLADESH (BDG) FOR A THIRD AMENDMENT TO THE FY 1978 PL-480 TITLE I AGREEMENT, AS AMENDED

USG officials emphasized that the requirement in Part II, Item VI, of the FY 1978 PL-480 Title I Agreement dated January 13, 1978, as amended, concerning the use of commodities for the benefit of needy people and the requirement therein for reporting on such use apply to edible oil as well as to wheat and cotton provided under the Agreement, as amended. USG officials stated, with reference to Part II, Item V, subparagraphs (13) and (15), of the proposed amendment to the Agreement, that the use of vegetable oil prescribed under these paragraphs for categories A, B and C card holders of the Modified Ration system is in fulfillment of Part II, Item VI, of the Agreement which states that commodities provided under the Agreement should directly benefit the needy people of Bangladesh.

BDG officials therefore agreed, with reference to Part II, Item VI, of the Agreement and paragraph 6, subparagraph D, of the Agreed Minutes dated January 13, 1978, that edible oil provided under the Agreement, as amended, as well as wheat and cotton would be used for purposes which directly improve lives of the needy people of Bangladesh.

USG officials explained with reference to the requirement under Part II, Item VI, of the Agreement for a report on the use of commodities or proceeds, that this report should describe the use of edible oil as well as wheat and cotton provided under the Agreement, as amended, in a manner that would support a reasonable conclusion that the edible oil was used to help needy people.

For the Government
of the United States of America:

[Signed]

DAVID T. SCHNEIDER
Ambassador Extraordinary
and Plenipotentiary

For the Government
of the People's Republic of Bangladesh:

[Signed]

A. M. A. MUHITH
Secretary
External Resources Division
Ministry of Planning

May 23, 1978
