

No. 17498

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**UNITED STATES OF AMERICA  
and  
EGYPT**

**Agreement for the sale of agricultural commodities (with  
agreed minutes of 5 December 1977 and related letter).  
Signed at Cairo on 7 December 1977**

**Amendments to the above-mentioned Agreement**

*Authentic text: English.*

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

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

**Accord relatif à la vente de produits agricoles (avec  
procès-verbal officiel du 5 décembre 1977 et lettre  
connexe). Signé au Caire le 7 décembre 1977**

**Modifications de l'Accord susmentionné**

*Texte authentique: anglais.*

*L'Accord et les déclarations certifiées ont été enregistrés par les États-Unis  
d'Amérique le 22 janvier 1979.*

AGREEMENT<sup>1</sup> BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE ARAB REPUBLIC OF EGYPT FOR THE SALE OF AGRICULTURAL COMMODITIES UNDER THE PUBLIC LAW 480, TITLE I, PROGRAM

The Government of the United States of America and the Government of the Arab Republic of Egypt have agreed to the sales of agricultural commodities specified below. This Agreement shall consist of the preamble, parts I and III, of the P.L. 480, Title I, Agreement of June 7, 1974,<sup>2</sup> together with the following part II:

PART II. PARTICULAR PROVISIONS

*Item I.* COMMODITY TABLE

<i>Commodity</i>	<i>Supply period (U.S. Fiscal Year)</i>	<i>Approximate maximum quantity (metric tons)</i>	<i>Maximum export market value (million dollars)</i>
Wheat/wheat flour (grain equivalent basis) . . . . .	1978	1,500,000	\$170.0
Ocean transporta- tion (estimated differential) . . .			0.0
TOTAL			170.0

*Item II.* PAYMENT TERMS (CONVERTIBLE LOCAL CURRENCY CREDIT)

1. Initial payment, 5 percent.
2. Currency use payment, None.
3. Number of installment payments, 31.
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, 2 percent.
7. Continuing interest rate, 3 percent.

*Item 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	2,000,000 metric tons

<sup>1</sup> Came into force on 7 December 1977 by signature, in accordance with part III (A).

<sup>2</sup> United Nations, *Treaty Series*, vol. 953, p. 313.

*Item 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, A4, 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).

*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 enabling the poor to participate actively in increasing agricultural production through small farm agriculture.

B. The Government of Egypt agrees to undertake the following programs and to provide adequate financial, technical and managerial resources for their implementation:

1. To create an improved capacity within the agricultural sector for planning developmental programs including a major improvement in the processing, marketing and distribution systems for food and agricultural commodities in order to serve a rapidly expanding urban population, to improve returns to the farmer and to more effectively compete on export markets;
2. To insure the availability of requisite farm inputs to producers through institutionalized distributive systems that are responsive to farmers needs with an emphasis toward the encouragement of the private sector (including cooperatives) to facilitate availability of production inputs on a timely and economical basis;
3. To expand and improve the National Water Management Program, including an increased institutional capacity to develop and sustain an improved on-farm water management program; particular emphasis will be given to (A) accelerating installation of drainage facilities and the laying of tiles to prevent further deterioration and increased salinity and (B) to establish a major soil and water program for the training of field technicians to work with farmers on soil and water management;
4. To strengthen systems for collection, computation and analysis of agricultural data and information, including import, export and other related trade data for use in determining production, pricing, and marketing policies and for use in planning and implementing agricultural development programs;
5. To develop and implement specific programs which call for increasing and improving storage facilities for agricultural commodities, including specific quantitative targets for port areas, inland terminal locations, market towns, and farm storage; and to carry out the approved projects for construction of stores and sheds for distribution and storage in different parts of the country to reduce waste and spoilage and to improve the marketing of farm commodities;
6. To undertake programs on a selective basis anticipated to have direct results in improved technology with consequent benefit to rural producers; specific project activity aimed toward improving the lives and status of farmers will be

conducted during the current year which also contribute toward the establishment of an economic base supportive to village development;

7. To develop and implement programs for improving basic village services; this will provide for (A) making available to all levels of society, particularly in the rural poor areas, information on population control/family planning and (B) for the delivery of social services such as health, nutrition and family welfare to rural poor areas.

*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 economic development sector: agricultural and rural development.

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

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

DONE at Cairo, in duplicate, this seventh day of December 1977.

For the Government  
of the United States of America:  
[Signed—Signé]<sup>1</sup>

For the Government  
of the Arab Republic of Egypt:  
[Signed—Signé]<sup>2</sup>

AGREED MINUTES ON THE NEGOTIATION OF THE U.S. FISCAL YEAR 1978 AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE ARAB REPUBLIC OF EGYPT, UNDER THE PROVISIONS OF TITLE I, PUBLIC LAW 480, OF THE UNITED STATES OF AMERICA

1. *Financial terms.* Part II, item II, of the proposed Agreement provides for convertible local currency credit terms of 40 years credit, including a grace period of 10 years, with interest at 2 percent during the grace period and 3 percent thereafter.

The American side explained that the financing terms are being changed from dollar credits, as in past years, to convertible local currency credit terms in FY-1978 to assist the Government of Egypt by stretching out PL-480 payments and extending the grace period on principal payments. The American side cautioned the Egyptian side that payments under the new Agreement would, in all likelihood, be required in U.S. dollars, and not local currency.

2. *Commodity composition.* As shown in part II, item I, the FY-1978 Agreement provides for 1,500,000 metric tons (MT) of wheat and wheat flour on a grain equivalent basis, consisting of 1.0 million MT of wheat and 360,000 MT of wheat flour (equivalent to 0.5 million MT of wheat). The American side advised

<sup>1</sup> Signed by Hermann Fr. Eilts—Signé par Hermann Fr. Eilts.

<sup>2</sup> Signed by Zakaria M. Fattah—Signé par Zakaria M. Fattah.

the Egyptian side that separate purchase authorizations will be issued for wheat and wheat flour in the amounts set forth above. The American side also pointed out that part I of the Agreement provides that the export market value specified in part II may not be exceeded, meaning that the quantity of wheat and wheat flour financed under the Agreement would be less than the approximate quantities shown in part II if commodity prices increase over those used in calculating the quantities and market values shown in the Agreement. On the other hand, if commodity prices fall, the quantities of commodities to be financed under the Agreement will be limited to those specified in part II.

3. *Usual marketing requirements.* Part III of the proposed Agreement provides for a usual marketing requirement (UMR) of 2,263,000 MT of wheat and/or wheat flour during FY-1978, consisting of 263,000 carried over from the FY-1977 UMR and a reduced UMR for FY-1978 of 2.0 million MT. The American side called attention to the serious view it takes of failure by Egypt to meet its FY-1977 UMR, and pointed out that the reduction for FY-1978 to 2.0 million MT from the previous year's level of 2.6 million MT should not be considered precedent setting since the UMR will be reviewed each year by supplier countries. It was also emphasized by the American side that Egypt is expected to continue to maintain commercial imports and to comply with its UMR.

4. *Self-help measures and the use of proceeds.* The relevant sections of PL-480 require (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 country. These new requirements are reflected in the text of items V and VI of part II of the Agreement.

5. *Special notes.* The American side pointed out that recent legislation and amendments to the Title I Regulations require the following:

(a) 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 export so as 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. This preliminary determination has been made.

(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/USDA 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 Egypt nominates a purchasing agent and/or shipping agent to procure commodities or arrange ocean transportation under the agreement the GOE 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.

6. The American side requested and received from the Egyptian side the following information:

- (a) The type and grade of commodities to be purchased in accordance with official U.S. standards;
- (b) The proposed contracting and delivery schedules; and
- (c) The names and addresses of banks, both U.S. and foreign, that will be handling financing operations.

7. The American side received assurances from the Egyptian side that appropriate authorities of the Government of Egypt are prepared to make immediate transfers of funds to cover ocean freight costs and any initial payment requirements related to contracts to be concluded pursuant to the Agreement. The American side also received assurances from the Egyptian side that appropriate authorities of the Government of Egypt would arrange 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 commodities and freight), (d) authority to request and sign purchase authorizations and other necessary documents, (e) complete instructions, information and 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 the Program Operations Division, Office of the General Sales Manager, U.S. Department of Agriculture, concerning any of the foregoing.

8. The American side called attention to the fact that 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 the vessel's presentation for loading.

9. The American side reminded the Egyptian side of its responsibilities under the Agreement for the timely submission of compliance reports, shipping and arrival reports, and reports on the self-help provisions and use of sales proceeds.

DONE in Cairo this 5th day of December 1977.

Representing the Government  
of the United States of America:

[Signed]

H. REITER WEBB, Jr.  
Agricultural Attaché  
American Embassy

Representing the Government  
of the Arab Republic of Egypt:

[Signed]

IBRAHIM DARWISH  
Deputy Chairman, General  
Authority for Supply Commodities  
Ministry of Supply

## RELATED LETTER

UNITED STATES DEPARTMENT OF AGRICULTURE  
FOREIGN AGRICULTURAL SERVICE  
AMERICAN EMBASSY  
CAIRO, EGYPT

Office of Agricultural Attaché

December 7, 1977

Dear Mr. Darwish:

Please refer to the Agreed Minutes on the negotiation of the U.S. Fiscal Year 1978 Agreement between the Government of the United States of America and the Government of the Arab Republic of Egypt, under the provisions of Title I, Public Law 480, of the United States of America, which we signed on December 5, 1977<sup>1</sup> after a meeting and discussion in your office. On the basis of subsequent instructions from Washington and several telephone conversations with Mr. Agroudy, I wish to propose the changes shown below:

(1) In part III of the proposed Agreement, the usual marketing requirement (UMR) for wheat and wheat flour during FY-1978 will be shown as 2.0 million metric tons (MT) on a grain equivalent basis. However, it is understood by both Governments that the shortfall of 263,000 MT carried over from the FY-1977 UMR will also be imported by the Government of the Arab Republic of Egypt during FY-1978. In other words, total imports of wheat and wheat flour during FY-1978 of 2,263,000 MT on a grain equivalent basis will be financed by your Government using its own resources.

(2) The quantity of wheat flour being provided under the Agreement will be 375,000 MT, and not 360,000 MT as stated in the Minutes. The difference arises from the fact that a 72 percent extraction rate is used in the United States but a 75 percent rate is used for international sales. The 375,000 MT of wheat flour that will be provided under the Agreement is approximately equal to 500,000 MT of wheat.

(3) My Government suggests that you request at least 3 Purchase Authorizations (PA's) under the Agreement so that only 1 U.S. bank will be used for each PA. If your Government desires to use more than 3 U.S. banks, we suggest that the number of PA's be increased so that only 1 U.S. bank is involved in each. If you decide to request 3 PA's, we suggest that you request 1 for wheat flour and 2 of 500,000 MT each for wheat. This would give you the flexibility of using 2 supply periods for wheat: 1 for January-April and another for May-August. As I mentioned to Mr. Agroudy by telephone, we recommend that you extend the proposed delivery period from January-June to January-August to insure adequate time for shipment.

(4) Finally, my Government wishes to bring to your attention part I, article III (I), of the proposed Agreement, which provides that the Government of the importing country shall undertake such measures as may be mutually agreed upon, prior to the delivery of the commodities being provided under the Agreement, for publicity and identification. We will consult with you later as to specific measures to be taken under this part of the Agreement. We understand that the signing ceremony scheduled for 1800 hours on Wednesday, December 7,

<sup>1</sup> See p. 80 of this volume.

will receive extensive publicity on Egyptian media. The U.S. Information Service in Cairo also plans to issue a press release concerning the signing.

If the changes in the Minutes proposed above are acceptable please indicate your concurrence by signing in the space provided below.

Sincerely,

[Signed]

H. REITER WEBB, Jr.  
Agricultural Attaché

*Concurred:*

[Signed]

IBRAHIM DARWISH

Mr. Ibrahim Darwish  
Deputy Chairman  
General Authority for Supply Commodities  
Ministry of Supply  
Cairo

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AMENDMENTS TO THE AGREEMENT OF 7 DECEMBER 1977<sup>1</sup>  
BETWEEN THE GOVERNMENT OF THE UNITED STATES OF  
AMERICA AND THE GOVERNMENT OF THE ARAB REPUB-  
LIC OF EGYPT FOR THE SALE OF AGRICULTURAL  
COMMODITIES UNDER THE PUBLIC LAW 480, TITLE I,  
PROGRAM

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By an agreement in the form of an exchange of notes dated at Cairo on 20 April 1978, which came in force on 20 April 1978, the date of the note in reply, in accordance with the provisions of the said notes, part II, item I, commodity table, in the above-mentioned Agreement of 7 December 1977 was amended as follows:

Under the appropriate columns (1) for wheat/wheat flour delete "\$170.0" and insert "\$176.5" and (2) under maximum export market value, on the line designated as the total, delete "\$170.0" and insert "\$176.5".

By an agreement in the form of an exchange of notes dated at Cairo on 3 August 1978, which came into force on 3 August 1978, the date of the note in reply, in accordance with the provisions of the said notes, part II, item I, commodity table, in the above-mentioned Agreement of 7 December 1977 was amended as follows:

Under the appropriate columns (1) for wheat/wheat flour delete "\$176.5" and insert "\$189.1" and (2) under maximum export market value, on the line designated as the total, delete "\$176.5" and insert "\$189.1".

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<sup>1</sup> See p. 78 of this volume.