

No. 18890

**UNITED STATES OF AMERICA
and
PAKISTAN**

Agreement for the sales of agricultural commodities under the Public Law 480, Title I, programme (with minutes of meetings held 24 December 1978 and 2 January 1979). Signed at Islamabad on 24 January 1979

Authentic text: English.

Registered by the United States of America on 30 May 1980.

**ÉTATS-UNIS D'AMÉRIQUE
et
PAKISTAN**

Accord relatif à la vente de produits agricoles en vertu du programme prévu par la *Public Law* 480, titre I (avec procès-verbal des réunions tenues les 24 décembre 1978 et 2 janvier 1979). Signé à Islamabad le 24 janvier 1979

Texte authentique: anglais.

Enregistré par les États-Unis d'Amérique le 30 mai 1980.

AGREEMENT¹ 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

<i>Commodity</i>	<i>Supply period (U.S. Fiscal Year)</i>	<i>Approximate maximum quantity (metric tons)</i>	<i>Maximum export market value (millions)</i>
Wheat/wheat flour (grain basis)	1979	250,000	\$ 34.3
Soybean/cottonseed oil	1979	10,000	\$ 5.7
TOTAL			\$ 40.0

Item II. PAYMENT TERMS (CONVERTIBLE LOCAL CURRENCY CREDIT)

1. Initial payment: 5 percent.
2. Currency use payment: none.
3. Number of instalment payments: 31.
4. Amount of each instalment payment: approximately equal annual amounts.
5. Due date of first instalment payment: ten (10) 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 (metric tons)</i>
Wheat/wheat flour (grain equivalent basis)	1979	100,000
Edible vegetable oil and/or oil-bearing seeds (oil equivalent basis)	1979	145,000 (of which at least 45,000 shall be from the U.S.A)

¹ Came into force on 24 January 1979 by signature.

² United Nations, *Treaty Series*, vol. 1052, p. 160.

Item IV. EXPORT LIMITATIONS

A. The export limitation period shall be U.S. fiscal year 1979 or any 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:

1. *Price policy.* Establish and maintain a procurement price of at least 45 rupees per maund as an incentive to expand wheat production. The increase in the procurement price is to enhance the domestic production of wheat by guaranteeing an adequate incentive price to producers. The Benchmarks are (a) Government of Pakistan announces the procurement price in advance of the 1978 planting season for wheat and maintains a price of at least this level throughout the year; (b) GOP will make adequate funding available to procure wheat throughout the year; (c) to review procurement procedures to assure adequate facilities to handle a large wheat crop; and (d) to establish and follow a schedule that will provide the additional measures necessary to implement the support program in the event of a large procurement as occurred in 1976.

2. *Private grain trade.* Remove Federal and Provincial restrictions on movement, buying and selling of wheat within Pakistan. The Benchmark is GOP will announce and maintain the removal of all restrictions that preclude farmers and private trade from the free movement, buying, and selling of grain in the country. In the event emergency conditions warrant, such as adverse weather conditions or *force majeure* leading to unexpectedly low production, the GOP may decide to impose restrictions, taking into account the GOP commitment to ensure adequate incentives to farmers.

3. *Ration shop system.* Continue to eliminate unauthorized ration cards and not to increase overall ration shop distributions. The Benchmarks are (a) reduce number of ration cards [and] (b) not increase the total quantity of food commodities distributed through ration shops.

4. *Edible oil strategy.* Fund and begin implementation of approved Pakistan PC-1 (Project Document) for the pilot project on sunflower, safflower, and soybean production. The Benchmarks are (a) GOP will provide adequate funding to assure spring planting of these oilseeds and (b) the GOP will carry out the work schedule and fund activities as outlined in the PC-1.

5. *Wheat seed importation and distribution.* Complete the importation and distribution of suitable imported and domestic seed for the fall 1978 planting.

6. *Fertilizer supply and distribution.* Distribute sufficient fertilizer at reasonable prices to meet farmers' demand for the crop to be sown in the fall of 1978. Also GOP will prepare detailed plans for the importation, production, and distribution of adequate levels of fertilizer for fall 1979 crop. This will be prepared and submitted to the U.S. Country Team by December 1978. The Benchmarks are (a) performance on the distribution of all available fertilizer at reasonable prices to farmers and (b) the preparation and submission of a plan for the importation, production, and distribution of fertilizer.

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

A. The proceeds accruing to the importing country from the sale of commodities financed under this agreement will be used for financing the self-help measures set forth in the agreement and for 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 24th day of January 1979.

For the Government of Pakistan:

By: [Signed]

Name: AFTAB AHMAD KHAN

Title: 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 MEETINGS HELD DECEMBER 24, 1978, AND
JANUARY 2, 1979, REGARDING THE FISCAL YEAR 1979 P. L. 480,
TITLE I, AGREEMENT OF JANUARY 24, 1979

The following subjects were discussed:

1. *Shortage of wheat and edible oil.* The United States Government Representatives advised the Government of Pakistan Representatives that the U.S. Government is faced with severe P.L. 480 budget restraints and higher prices which have limited the quantity of commodities (wheat and vegetable oil) that can be provided under the P.L. 480 Title I Program for FY 1979.

2. *Export market value limitation.* The U.S. Government Representatives called particular attention to article I (E) of part I of the Agreement which provides that the export market value specified in part II may not be exceeded. This means that, if commodity prices increase over those covered in part II of the Agreement, the quantity to be financed under the Agreement will be less than the approximate maximum quantity set forth in part II. Should commodity prices decrease, however, the quantity of commodity to be financed may be limited to that specified in part II.

3. *Usual marketing requirements.* The U.S. Government Representatives noted that the UMR for wheat/wheat flour (grain equivalent) in U.S. FY 1979 (part II, item III, of the Agreement) was 100,000 MT's and for vegetable oil 145,000 MT's. At least 45,000 MT's of the latter shall be imported from the U.S. In this connection the U.S. Government Representatives pointed out that they anticipate a substantial increase in the wheat/wheat flour UMR in future Title I/Title III programs which will more closely reflect the historical 5-year average of commercial imports. The GOP representative expressed concern that if the 1978/79 wheat crop (harvested in the spring of 1979) is abundant, the UMR based on the previous 5 years' commercial imports (necessitated by unusually low production in some years) would not be feasible or desirable. The GOP representative also expressed the hope that the UMR in future years will be formulated on the same pattern as in the past.

4. *Recent changes in P.L. 480 legislation.* The U.S. Government Representatives advised the Government of Pakistan Representatives that pursuant to new legislative requirements:

(a) Purchase Authorizations under the Agreement will be issued 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) 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/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 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/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.

5. *Coordination with Pakistan Embassy/Washington.* The Government of Pakistan Representatives assured the U.S. Government Representatives that

arrangements have been made by appropriate Government of Pakistan authorities to relay to its Washington Embassy all instructions, information and authority necessary to enable timely implementation of the Agreement, including (1) commodity specification; (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 agreements 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.

6. *Timely opening of letters of credit.* The U.S. Government Representatives informed the Government of Pakistan Representatives that commodity suppliers are refusing to load vessels when acceptable letters of credit for both commodity and freight supplier are not available at time of loading. This has 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 10% of freight will also result in higher commodity prices and freight rates.

With particular regard to ocean freight the Government of Pakistan Representatives were advised that letters of credit for 100% of the ocean freight charges must be opened in favor of the supplier of the ocean transportation prior to vessels presentation for loading. The Government of Pakistan representatives assured the U.S. Government Representatives 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 PA is concluded, and before vessels arrive at loading ports.

7. *Reporting requirements.* The U.S. Government 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 U.S. Government Representatives mentioned that the monthly reports on wheat and edible 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 Attaché.

8. *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(I) 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,
- (b) issuances of Purchase Authorizations,
- (c) each major off-loading 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.

9. *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 programs progressively 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.

10. *Periodic meetings.* In order to keep better informed on progress in carrying out Government of Pakistan policies on wheat and edible oil stated above, the U.S. Government and Pakistan Representatives agreed that periodic meetings would be desirable. The format, timing, and level of participation will be worked out by both parties.

11. *Self-help ration shop system.* In connection with the self-help measure related to the ration shop system (item V,B,3) the U.S. Representatives informed the Pakistan Representatives that benchmark (b) is interpreted as follows: the Government of Pakistan agrees that offtake for the 1978/79 crop year will not exceed 3.277 million MT, an increase of approximately 12% over the 1977/78 crop year. It is understood that offtake in the 1979/80 crop year will not exceed 3.277 million MT's.

12. *Provincial endorsement.* The Pakistan Representatives informed the U.S. Representatives that the Provincial Governments were fully aware of and endorsed the self-help provisions of the Title I Agreement.

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

For the Government of Pakistan:

By: [Signed]

Name: AFTAB AHMAD KHAN

Title: 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