No. 19716

UNITED STATES OF AMERICA
and
PAKISTAN

Agreement for the sales of agricultural commodities (with minutes). Signed at Islamabad on 25 March 1980

Authentic text: English.

Registered by the United States of America on 27 March 1981.

ÉTATS-UNIS D'AMÉRIQUE
et
PAKISTAN

Accord relatif à la vente de produits agricoles (avec procès-verbal). Signé à Islamabad le 25 mars 1980

Texte authentique : anglais.

Enregistré par les États-Unis d'Amérique le 27 mars 1981.

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 (USG) and the Government of Pakistan (GOP),

Recognizing the desirability of expanding trade in agricultural commodities between the United States of America (hereinafter referred to as the exporting country) and the Government of Pakistan (hereinafter referred to as the importing country) and with other friendly countries in a manner that will not displace usual marketings of the exporting country in these commodities or unduly disrupt world prices of agricultural commodities or normal patterns of commercial trade with friendly countries;

Taking into account the importance to developing countries of their efforts to help themselves toward a greater degree of self-reliance, including efforts to meet their problems of food production and population growth;

Recognizing the policy of the exporting country to use its agricultural productivity to combat hunger and malnutrition in the developing countries, to encourage these countries to improve their own agricultural production, and to assist them in their economic development;

Recognizing the determination of the importing country to improve its own production, storage, and distribution of agricultural food products, including the reduction of waste in all stages of food handling;

Desiring to set forth the understandings that will govern the sales of agricultural commodities to the importing country pursuant to title I of the Agricultural Trade Development and Assistance Act, as amended (hereinafter referred to as the Act), and the measures that the two Governments will take individually and collectively in furthering the above-mentioned policies;

Have agreed as follows:

PART I. GENERAL PROVISIONS

Article I

A. The Government of the exporting country undertakes to finance the sale of agricultural commodities to purchasers authorized by the Government of the importing country in accordance with the terms and conditions set forth in this Agreement.

B. The financing of the agricultural commodities listed in part II of this Agreement will be subject to:

1. The issuance by the Government of the exporting country of purchase authorizations and their acceptance by the Government of the importing country; and

[1] Came into force on 25 March 1980 by signature, in accordance with part III (A).

2. The availability of the specified commodities at the time of exportation.

C. Application for purchase authorizations will be made within 90 days after the effective date of this Agreement, and, with respect to any additional commodities or amounts of commodities provided for in any supplementary agreement, within 90 days after the effective date of such supplementary agreement. Purchase authorizations shall include provisions relating to the sale and delivery of such commodities, and other relevant matters.

D. Except as may be authorized by the Government of the exporting country, all deliveries of commodities sold under this Agreement shall be made within the supply periods specified in the commodity table in part II.

E. The value of the total quantity of each commodity covered by the purchase authorizations for a specified type of financing authorized under this Agreement shall not exceed the maximum export market value specified for that commodity and type of financing in part II. The Government of the exporting country may limit the total value of each commodity to be covered by purchase authorizations for a specified type of financing as price declines or other marketing factors may require, so that the quantities of such commodity sold under a specified type of financing will not substantially exceed the applicable approximate maximum quantity specified in part II.

F. The Government of the exporting country shall bear the ocean freight differential for commodities the Government of the exporting country requires to be transported in United States flag vessels (approximately 50 percent by weight of the commodities sold under the Agreement). The ocean freight differential is deemed to be the amount, as determined by the Government of the exporting country, by which the cost of ocean transportation is higher (than would otherwise be the case) by reason of the requirement that the commodities be transported in United States flag vessels. The Government of the importing country shall have no obligation to reimburse the Government of the exporting country for the ocean freight differential borne by the Government of the exporting country.

G. Promptly after contracting for United States flag shipping space to be used for commodities required to be transported in United States flag vessels, and in any event not later than presentation of vessel for loading, the Government of the importing country or the purchasers authorized by it shall open a letter of credit, in United States dollars, for the estimated cost of ocean transportation for such commodities.

H. The financing, sale, and delivery of commodities under this Agreement may be terminated by either Government if that Government determines that because of changed conditions the continuation of such financing, sale, or delivery is unnecessary or undesirable.

Article II

A. *Initial Payment*

The Government of the importing country shall pay, or cause to be paid, such initial payment as may be specified in part II of this Agreement. The amount of this payment shall be that portion of the purchase price (excluding any ocean transportation costs that may be included therein) equal to the percentage specified for initial payment in part II and payment shall be made in United States dollars in accordance with the applicable purchase authorization.

B. *Currency Use Payment*

The Government of the importing country shall pay, or cause to be paid, upon demand by the Government of the exporting country in amounts as it may determine, but in any event no later than one year after the final disbursement by the Commodity Credit Corporation under this Agreement, or the end of the supply period, whichever is later, such payment as may be specified in part II of this Agreement pursuant to section 103 (*b*) of the Act (hereinafter referred to as the currency use payment). The currency use payment shall be that portion of the amount financed by the exporting country equal to the percentage specified for currency use payment in part II. Payment shall be made in accordance with paragraph H and for purposes specified in subsection 104 (*a*), (*b*), (*e*) and (*h*) of the Act, as set forth in part II of this Agreement. Such payment shall be credited against (*a*) the amount of each year's interest payment due during the period prior to the due date of the first installment payment, starting with the first year, plus (*b*) the combined payments of principal and interest starting with the first installment payment, until the value of the currency use payment has been offset. Unless otherwise specified in part II, no requests for payment will be made by the Government of the exporting country prior to the first disbursement by the Commodity Credit Corporation of the exporting country under this Agreement.

C. *Type of Financing*

Sales of the commodities specified in part II shall be financed in accordance with the type of financing indicated therein. Special provisions relating to the sale are also set forth in part II.

D. *Credit Provisions*

1. With respect to commodities delivered in each calendar year under this Agreement, the principal of the credit (hereinafter referred to as principal) will consist of the dollar amount disbursed by the Government of the exporting country for the commodities (not including any ocean transportation costs) less any portion of the initial payment payable to the Government of the exporting country.

The principal shall be paid in accordance with the payment schedule in part II of this Agreement. The first installment payment shall be due and payable on the date specified in part II of this Agreement. Subsequent installment payments shall be due and payable at intervals of one year thereafter. Any payment of principal may be made prior to its due date.

2. Interest on the unpaid balance of the principal due the Government of the exporting country for the commodities delivered in each calendar year shall be paid as follows:

a. In the case of Dollar Credit, interest shall begin to accrue on the date of last delivery of these commodities in each calendar year. Interest shall be paid not later than the due date of each installment payment of principal, except that if the date of the first installment is more than a year after such date of last delivery, the first payment of interest shall be made not later than the anniversary date of such date of last delivery and thereafter payment of interest shall be made annually and not later than the due date of each installment payment of principal.

b. In the case of Convertible Local Currency Credit, interest shall begin to accrue on the date of dollar disbursement by the Government of the exporting country.

Such interest shall be paid annually beginning one year after the date of last delivery of commodities in each calendar year, except that if the installment payments for these commodities are not due on some anniversary of such date of last delivery, any such interest accrued on the due date of the first installment payment shall be due on the same date as the first installment and thereafter such interest shall be paid on the due dates of the subsequent installment payments.

3. For the period of time from the date the interest begins to the due date for the first installment payment, the interest shall be computed at the initial interest rate specified in part II of this Agreement. Thereafter, the interest shall be computed at the continuing interest rate specified in part II of this Agreement.

E. *Deposit of Payments*

The Government of the importing country shall make, or cause to be made, payments to the Government of the exporting country in the currencies, amounts, and at the exchange rates provided for in this Agreement as follows:

1. Dollar payments shall be remitted to the Treasurer, Commodity Credit Corporation, United States Department of Agriculture, Washington, D.C. 20250, unless another method of payment is agreed upon by the two governments.
2. Payments in the local currency of the importing country (hereinafter referred to as local currency), shall be deposited to the account of the Government of the United States of America in interest bearing accounts in banks selected by the Government of the United States of America in the importing country.

F. *Sales Proceeds*

The total amount of the proceeds accruing to the importing country from the sale of commodities financed under this Agreement, to be applied to the economic development purposes set forth in part II of this Agreement, shall be not less than the local currency equivalent of the dollar disbursement by the Government of the exporting country in connection with the financing of the commodities (other than the ocean freight differential), provided, however, that the sales proceeds to be so applied shall be reduced by the currency use payment, if any, made by the Government of the importing country. The exchange rate to be used in calculating this local currency equivalent shall be the rate at which the central monetary authority of the importing country, or its authorized agent, sells foreign exchange for local currency in connection with the commercial import of the same commodities. Any such accrued proceeds that are loaned by the government of the importing country to private or non-governmental organizations shall be loaned at rates of interest approximately equivalent to those charged for comparable loans in the importing country. The Government of the importing country shall furnish in accordance with its fiscal year budget reporting procedure, at such times as may be requested by the Government of the exporting country but not less often than annually, a report of the receipt and expenditure of the proceeds, certified by the appropriate audit authority of the Government of the importing country, and in case of expenditures the budget sector in which they were used.

G. *Computations*

The computation of the initial payment, currency use payment and all payments of principal and interest under this Agreement shall be made in United States dollars.

H. *Payments*

All payments shall be in United States dollars or, if the Government of the exporting country so elects,

1. The payments shall be made in readily convertible currencies of third countries at a mutually agreed rate of exchange and shall be used by the Government of the exporting country for payment of its obligations or, in the case of currency use payments, used for the purposes set forth in part II of this Agreement; or
2. The payments shall be made in local currency at the applicable exchange rate specified in part I, article III, G, of this Agreement in effect on the date of payment and shall, at the option of the Government of the exporting country, be converted to United States dollars at the same rate, or used by the Government of the exporting country for payment of its obligations or, in the case of currency use payments, used for the purposes set forth in part II of this Agreement in the importing country.

Article III

A. *World Trade*

The two Governments shall take maximum precautions to assure that sales of agricultural commodities pursuant to this Agreement will not displace usual marketings of the exporting country in these commodities or unduly disrupt world prices of agricultural commodities or normal patterns of commercial trade with countries the Government of the exporting country considers to be friendly to it (referred to in this Agreement as friendly countries). In implementing this provision the Government of the importing country shall:

1. Insure that total imports from the exporting country and other friendly countries into the importing country paid for with the resources of the importing country will equal at least the quantities of agricultural commodities as may be specified in the usual marketing table set forth in part II during each import period specified in the table and during each subsequent comparable period in which commodities financed under this Agreement are being delivered. The imports of commodities to satisfy these usual marketing requirements for each import period shall be in addition to purchases financed under this Agreement;
2. Take steps to assure that the exporting country obtains a fair share of any increase in commercial purchases of agricultural commodities by the importing country;
3. Take all possible measures to prevent the resale, diversion in transit, or transshipment to other countries or the use for other than domestic purposes of the agricultural commodities purchased pursuant to this Agreement (except where such resale, diversion in transit, transshipment or use is specifically approved by the Government of the United States of America); and
4. Take all possible measures to prevent the export of any commodity of either domestic or foreign origin, which is defined in part II of this Agreement, during the export limitation period specified in the export limitation table in part II (except as may be specified in part II or where such export is

otherwise specifically approved by the Government of the United States of America).

B. *Private Trade*

In carrying out the provisions of this Agreement, the two Governments shall seek to assure conditions of commerce permitting private traders to function effectively.

C. *Self-Help*

Part II describes the program the Government of the importing country is undertaking to improve its production, storage, and distribution of agricultural commodities. The Government of the importing country shall furnish in such form and at such time as may be requested by the Government of the exporting country, a statement of the progress the Government of the importing country is making in carrying out such self-help measures.

D. *Reporting*

In addition to any other reports agreed upon by the two Governments, the Government of the importing country shall furnish at least quarterly for the supply period specified in part II, item I, of this Agreement and any subsequent comparable period during which commodities purchased under this Agreement are being imported or utilized:

1. The following information in connection with each shipment of commodities under the Agreement: the name of each vessel; the date of arrival; the port of arrival; the commodity and quantity received; and the condition in which received;
2. A statement by it showing the progress made toward fulfilling the usual marketing requirements;
3. A statement of the measures it has taken to implement the provision of sections A 2 and 3 of this article; and
4. Statistical data on imports by country of origin and exports by country of destination, of commodities which are the same as or like those imported under the Agreement.

E. *Procedures for Reconciliation and Adjustment of Accounts*

The two Governments shall each establish appropriate procedures to facilitate the reconciliation of their respective records on the amounts financed with respect to the commodities delivered during each calendar year. The Commodity Credit Corporation of the exporting country and the Government of the importing country may make such adjustments in the credit accounts as they mutually decide are appropriate.

F. *Definitions*

For the purposes of this Agreement:

1. Delivery shall be deemed to have occurred as of the on-board date shown in the ocean bill of lading which has been signed or initiated on behalf of the carrier;

2. Import shall be deemed to have occurred when the commodity has entered the country, and passed through customs, if any, of the importing country; and

3. Utilization shall be deemed to have occurred when the commodity is sold to the trade within the importing country without restriction on its use within the country or otherwise distributed to the consumer within the country.

G. *Applicable Exchange Rate*

For the purposes of this Agreement, the applicable exchange rate for determining the amount of any local currency to be paid to the Government of the exporting country shall be a rate in effect on the date of payment by the importing country which is not less favorable to the Government of the exporting country than the highest exchange rate legally obtainable in the importing country and which is not less favorable to the Government of the exporting country than the highest exchange rate obtainable by any other nation. With respect to local currency:

1. As long as a unitary exchange rate system is maintained by the Government of the importing country, the applicable exchange rate will be the rate at which the central monetary authority of the importing country, or its authorized agent, sells foreign exchange for local currency.
2. If a unitary rate system is not maintained, the applicable rate will be the rate (as mutually agreed by the two Governments) that fulfills the requirements of the first sentence of this section G.

H. *Consultation*

The two Governments shall, upon request of either of them, consult regarding any matter arising under this agreement, including the operation of arrangements carried out pursuant to this Agreement.

I. *Identification and Publicity*

The Government of the importing country shall undertake such measures as may be mutually agreed prior to delivery for the identification of food commodities at points of distribution in the importing country, and for publicity in the same manner as provided for in subsection 103(*l*) of the Act.

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)*
Soybean/Cottonseed Oil	1980	62,000	$40.0

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 (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

Commodity	*Import period (U.S. Fiscal Year)*	*Usual marketing requirements (metric tons)*
Edible Vegetable Oil and/or oil bearing seeds (Oil equivalent basis)	1980	239,000 (of which at least 57,000 MT shall be imported from the U.S.A.)

Item IV. EXPORT LIMITATIONS

A. The export limitation period shall be United States (U.S.) Government Fiscal Year 1980 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 for soybean/cottonseed oil are all edible vegetable 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 the following 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. *Wheat Price Policy*

(A) The GOP, recognizing the importance of adequate wheat floor prices to assure sufficient financial returns to producers in the face of other rising costs, will announce a raise in the wheat price for its domestic procurement not later than sowing time (September, 1980). Moreover, the GOP, recognizing the necessity of controlling the subsidy for ration shop offtake, will raise the ration shop atta price to a level at least equivalent to the domestic wheat procurement price.

Benchmarks: The GOP will (*a*) announce the new domestic wheat procurement price as soon as practicable but not later than September 1, 1980; (*b*) announce the new ration shop atta price as soon as practicable but not later than September 1, 1980; and (*c*) make adequate funding available to maintain the domestic wheat procurement floor price throughout the year.

(B) The GOP will continue its efforts to provide an effective floor price for wheat producers, giving particular attention to its impact on the smaller producing units. Its floor price program will be designed to provide an effective and accessible market, especially at the time of harvest and over the first few months thereafter for all wheat producers in the country. Participation in the program by producers will be voluntary in all respects and this fact will be communicated to all officials in the GOP's Food Department. Wide publicity will be given to the voluntary nature of this program.

Benchmarks: An assessment of the number and location of procurement stations as compared with prior years and how well the Government has succeeded in maintaining a minimum floor price will be made. The number and location of these procurement stations will be such as to assure farmers have access to the established floor price.

2. *Ration Shop System*

(A) The GOP is committed to reduce ration shop distribution, but in any case, it will not exceed during the 1980/81 crop year the offtake ceiling of 3.277 million MT established in the January 29, 1979, Title I Agreement.

Benchmarks: If the ration shop system continues over a period of time, the offtake in each crop year will not exceed the ceiling established in the January 29, 1979, Title I Agreement, and the GOP will seek to reduce the amount of ration shop distribution each year.

(B) The current campaign to eliminate bogus cards will continue to be pursued vigorously. Progress will be reported by September 30, 1980. The GOP will provide information on the number of new cards issued, the number of bogus cards eliminated and the net change.

3. *Private Grain Trade*

The GOP agrees to maintain the free and unrestricted inter-district movement, buying, selling and storage of wheat within Pakistan, except under emergency conditions as defined in the Title I Agreement of January 1979; provided, however, that a restriction could be placed on the movement between provinces of whole wheat grain by the private sector by road in order to minimize the chances for illegal movement of wheat across international borders.

Benchmarks: Federal and Provincial Governments will impose no restrictions in the transportation/movement, buying, selling and storage of wheat during the course of this Agreement. In the event the GOP determines emergency conditions warrant temporary imposition of restrictions, the U.S. Mission will be notified prior to the announcement.

4. *Fertilizer Supply, Distribution and Pricing*

(A) The GOP will make available necessary foreign exchange for fertilizer imports which will, along with domestic production, provide adequate supplies to meet projected demand for fertilizer as projected by the National Fertilizer Development Center (NFDC). It will also review the number and locations of fertilizer sales outlets and encourage expansion, to the degree necessary, to provide easy access to the consumer.

Benchmarks: The GOP undertakes to take all possible measures to ensure that by September 1980 in-country stocks of phosphatic and nitrogenous fertilizer will be at least 75 per cent and 35 per cent respectively, of the projected requirements for the ensuing six months. For this purpose the GOP will provide the requisite foreign exchange. The GOP will continue to support and utilize the NFDC.

(B) The GOP will continue to review fertilizer pricing and fertilizer and crop price relationships, recognizing the need for a phased program to substantially reduce the fertilizer subsidy. The purpose of this phased program, initiated by the GOP in its February 1980 increase in fertilizer prices, is to rationalize fertilizer and wheat price relationships and to reduce the GOP budget deficit for fertilizer.

Benchmarks: In recognition of a possible negative impact that the large fertilizer price increases can have on fertilizer consumption and agricultural production, the GOP will continue to expand its past efforts to promote greater fertilizer sales and utilization by Pakistani farmers.

5. *Improved Wheat Production and Distribution Data Base*

The GOP will establish a continuing capacity to collect and analyze data on wheat production and distribution as a basis for more effective decision-making, including an early warning system to wheat crop prospects. The GOP will proceed with the following studies and actions: (*a*) improve statistical crop reporting system for wheat production, stocks, and utilization; (*b*) study wheat production response to price changes; and (*c*) conduct analyses of cost of production of wheat. The USG would be prepared to lend appropriate assistance to these studies.

6. *Edible Oil Strategy*

(A) The GOP will carry out research, demonstration and marketing projects on expanding oilseeds production. In addition, the GOP will initiate studies for developing appropriate high-yielding varieties of cotton, rape, mustard, groundnut, sunflower, safflower, and soybeans. These studies will provide details on the necessary linkages between research (under the direction and coordination of the Agriculture Research Council), seed propagation, extension to farmers and nutrition. A study will also be made on oilseed pricing policy.

Benchmarks: The GOP in calendar year 1980 will (1) initiate a study for domestic oilseed production for the next production year, and (2) initiate and provide to the U.S. Mission a scope of work for an oilseed pricing policy study. The study for domestic oilseed production will include production targets for traditional and non-traditional oilseeds, proposed support prices for selected non-traditional types of oilseeds which will help to achieve the production targets, and the link between research, seed propagation and distribution.

(B) The GOP will establish a responsible authority for encouraging the expansion of vegetable oil production in Pakistan with a role comparable to that of the National Fertilizer Development Center. Continuously increasing vegetable oil imports have become a serious drain on Pakistan's foreign exchange reserves. Establishment of a responsible, effective and influential organization as the primary organization dealing with vegetable oil production, processing and marketing would focus responsibility and provide the GOP with an improved means of approaching and dealing with the problems of increasing production. It is assumed research activities would continue under the direction and coordination of Agriculture Research Council.

Benchmarks: The GOP will initiate measures to develop and establish such an organization.

7. *Reports*

(A) Evaluation will include, but not be limited to: (*a*) progress on implementing the title I self-help policy measures and specific projects identified for the program; (*b*) a comparison of program benchmarks with the projects and activities undertaken to determine the progress achieved in meeting the objectives identified in the self-help measures; and (*c*) a review of institutional mechanics and GOP technical support for implementation of the self-help measures.

(B) The evaluation will also determine whether the GOP is continuing to make adequate levels of funding available to carry out the self-help projects and activities, and the extent that the GOP has committed itself to maintaining funding levels both during and after the projects as covered in the self-help measures.

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.

Item VII. NOTIFICATION

The effective implementation of this Agreement requires the full understanding of this Agreement by the relevant Provincial and District officials. The GOP will take whatever measures are necessary to assure that these Provincial officials, including Provincial Governors, Provincial Agricultural Advisors, Secretaries for Planning and Development and Agriculture and Secretaries/Directors for Food Departments, are fully acquainted with the provisions of the Agreement.

Item VIII. TRUST FUND CONTRIBUTION

The GOP shall deposit the sum of forty-two million five hundred thousand Pakistan rupees (Rs. 42,500,000) in an AID Trust Account for the purpose of financing the Pakistan Rupee obligations incurred by the USAID Mission to Pakistan (including building maintenance costs in support of United Nations agencies in Islamabad) during the period October 1, 1980 to September 30, 1982, in connection with the cooperative development program of the GOP and the United States. Such deposits shall be made in accordance with the following installment schedule:

October 1, 1980	Rs. 5,000,000	January 1, 1982	5,000,000
January 1, 1981	4,500,000	April 1, 1982	6,500,000
April 1, 1981	5,500,000	July 1, 1982	5,500,000
July 1, 1981	5,000,000	TOTAL	Rs. 42,500,000
October 1, 1981	5,500,000		

PART III. FINAL PROVISIONS

A. This Agreement may be terminated by either Government by notice of termination to the other Government for any reason, and by the Government of the exporting country if it should determine that the self-help program described in the Agreement is not being adequately developed. Such termination will not reduce any financial obligations the Government of the importing country has incurred as of the date of termination.

This Agreement shall enter into force upon signature.

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

DONE at Islamabad, in duplicate, this 25th day of March 1980.

For the Government of Pakistan:

By: [*Signed*]

Name: MASUD MUFTI

Title: Joint 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 FEBRUARY 11, 1980, AND MARCH 8, 1980, REGARDING THE FISCAL YEAR 1980 P.L. 480 TITLE I AGREEMENT OF MARCH 25, 1980

The following subjects were discussed between United States Government (USG) and Government of Pakistan (GOP) Representatives on the FY 1980 P.L. 480 Agreement during meetings held on February 11 and March 8, 1980.

1. *Shortage of Wheat and Edible Oil*

The USG Representatives advised GOP Representatives that the USG is faced with severe P.L. 480 budget restrictions 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 1980.

2. *Export Market Value Limitation*

The USG 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 assumed 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 USG Representatives noted that the UMR for edible vegetable oil and/or oil bearing seeds (oil equivalent basis) in U.S. FY 1980 (part II, item III, of the Agreement) was 239,000 MT's. At least 57,000 MT's shall be imported from the U.S.

4. *P.L. 480 Standard Provisions*

The USG Representatives reviewed with the Pakistan Representatives the preamble and parts I and III of the Title I Agreement signed on November 23, 1974.[1] These standard provisions, which have been incorporated by reference in the Title I Agreements each year since 1974, will be included in their entirety in the Title I Agreement this year, in order to have a more useful and convenient document.

5. *Changes in P.L. 480 Legislation*

The USG Representatives advised the GOP Representatives that pursuant to legislative requirements:

(*a*) Purchase Authorizations (PAs) under the Agreement will be issued only after the U.S. 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 offerings 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.

6. *Coordination with Pakistan Embassy/Washington*

The GOP Representatives assured the USG Representatives that arrangements have been made by appropriate GOP 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 agreement 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.

7. *Timely Opening of Letters of Credit*

The USG Representatives informed the GOP 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.

[1] United Nations, *Treaty Series*, vol. 1052, p. 160.

With particular regard to ocean freight the GOP 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 GOP Representatives assured the USG 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.

8. *Reporting Requirements*

The USG Representatives called attention to the GOP's responsibilities for the timely submission of reports. The reports required under the Agreement include compliance, arrival and shipping information (ADP sheets) (part I, article III, D, in Agreement), self-help (part I, article III, C) and financial use of sales proceeds matters (part I, article II, F). The USG 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.

9. *Identification and Publicity*

The GOP Representatives agreed to the identification of commodities and publicity of Agreement, arrivals, etc., as follows:

For the purpose of carrying out the intention of Section 103 (1) 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 to: issuances of Purchase Authorizations; each major off-loading of commodities at Pakistan ports; and shipments of substantial quantities of commodities from 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.

10. *Self-Help Measures and Use of Proceeds*

The USG and GOP Representatives agreed that section 106 (*b*) and 109 (*a*) of P.L. 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 capacity to participate in the development of their country. These new requirements are reflected in item V and VI of part II of the Agreement. The self-help measures are a continuation and amplification of the measures covered in the FY 1979 Title I Agreement. Future P.L. 480 programming will be dependent on GOP performance on these measures and the submission of a complete report to the U.S. Embassy on the action and progress taken in the implementation of these self-help measures.

11. *Periodic Meetings*

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

12. *Self-Help Ration Shop System*

In connection with the self-help measure related to the Ration Shop System (item V, B, 2(A)), the U.S. Representatives informed the Pakistan Representatives that Benchmark (*b*) is interpreted as follows: The Government of Pakistan agrees that offtake for the 1980/81 crop year will not exceed 3.277 million MT. It is understood that offtake in the 1979/80 crop year also will not exceed 3.277 million MT.

13. *Notification*

In connection with the requirements for notification contained in Item VII, the Government of Pakistan Representatives informed the USG Representatives that the Provincial Governments were acquainted with, understood and endorsed the self-help provisions of the Title I Agreement. The GOP will take whatever further measures are necessary to assure that the relevant Provincial and District officials are personally acquainted with and understand the self-help measures.

14. *Private Grain Trade*

The USG and GOP Representatives agreed that the GOP would maintain free and unrestricted inter-district movement, buying, selling and storage of wheat within Pakistan, except under emergency conditions, as defined in the Title I Agreement of January 1979.[1]

However, one exception to this provision, the Representatives agreed, would be that a restriction could be placed on the movement between provinces of whole wheat grain by the private sector by road in order to minimize the chances for illegal movement of wheat across international borders. The GOP, though, would still maintain free and unrestricted movement between the provinces for atta and other types of wheat flour.

In order to further assure the maintenance of free and unrestricted private grain trade, the GOP Representatives informed the U.S. Representatives they would advise appropriate Provincial and District officials that procurement targets are not justification for imposition of any market restrictions on private grain trade.

15. *Fertilizer Pricing*

The USG Representatives discussed the fertilizer price increase announced by the GOP on February 25, 1980, and indicated this was a commendable action. At the same time, the USG Representatives also indicated the price increases, because they were relatively high, possibly could have a negative effect upon crop production. (The average increase in fertilizer prices, weighted according to estimated offtake during 1979/80, amounts to 52 percent.) The USG Representatives urged the GOP Representatives that to minimize any possible negative impact on production the GOP should vigorously pursue a fertilizer promotion and a farmer education program, urging farmers to purchase and utilize increased amounts of fertilizer.

16. *Open Market Sales*

The GOP and USG Representatives discussed the use of open market sales of wheat to stabilize wheat prices and moderate retail price increases during the marketing year. The USG Representatives encouraged the use of open market sales, but stressed that the role of open market sales should not be as another method of distributing wheat at subsidized prices, but rather for use as a price stabilizing mechanism. The GOP Representatives agreed to give consideration to increased use of OMS, stressing, however, that there were many factors to consider, including the availability of GOP wheat stocks.

17. *Wheat Price Policy*

The USG and GOP Representatives agreed that in determining the level of the new wheat procurement price to be announced no later than September 1, 1980, the GOP will give consideration to: (1) both domestic and international market factors; (2) producers' costs such as seed, fertilizer, water and labor; and (3) general trends in the cost of living. It was further agreed that, in order to encourage and support continued growth in consumption of fertilizer and the resultant increase in Pakistan's wheat production, the price relationships between wheat and fertilizer need to be carefully considered. Past studies

[1] United Nations, *Treaty Series*, vol. 1180, p. 185.

done in Pakistan have indicated that a desirable ratio is one in which one kilo of fertilizer (by nutrient weight) can be purchased for between 2.5 and 3.0 kilos of wheat (valued at procurement price). Though this fertilizer/wheat price relationship should not be considered in isolation from other factors affecting the wheat situation, it is a useful relationship that should be reviewed and given due consideration in setting both wheat and fertilizer prices.

The USG and GOP Representatives also discussed the possibility of raising ration shop atta price to a level sufficiently above the wheat procurement price so as to cover the milling costs of three to four rupees per maund. The GOP will give consideration to this when deliberating the appropriate price level for ration shop atta.

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

For the Government of Pakistan:

By: [*Signed*]

Name: MASUD MUFTI

Title: Joint 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