No. 21161

UNITED STATES OF AMERICA
and
PORTUGAL

Agreement for the sale of agricultural commodities (with minutes of negotiations). Signed at Lisbon on 24 June 1980

Amendment to the above-mentioned Agreement

Authentic texts: English.

The Agreement and the certified statement were registered by the United States of America on 27 July 1982.

ÉTATS-UNIS D'AMÉRIQUE
et
PORTUGAL

Accord relatif à la vente de produits agricoles (avec procès-verbal de négociations). Signé à Lisbonne le 24 juin 1980

Modification visant l'Accord susmentionné

Textes authentiques : anglais.

L'Accord et la déclaration certifiée ont été enregistrés par les États-Unis d'Amérique le 27 juillet 1982.

AGREEMENT[1] BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF PORTUGAL FOR THE SALE OF AGRICULTURAL COMMODITIES

The Government of the United States of America and the Government of Portugal agree to the sale of agricultural commodities specified below. This agreement shall consist of the preamble and parts I and III of the Agreement signed March 18, 1976,[2] together with the following part II:

PART II. PARTICULAR PROVISIONS

Item I. COMMODITY TABLE

Commodity	*Supply period (calendar year)*	*Approximate maximum quantity (metric tons)*	*Maximum export market value (millions)*
Wheat/wheat flour (wheat basis)	1980	61,000	Dols. 10.0
Corn	1980	259,000	Dols. 30.0
	TOTAL		Dols. 40.0

Item II. PAYMENT TERMS

Convertible local currency credit (CLCC):

A. Initial payment, five (5) percent;
B. Currency use payment, ten (10) percent for Section 104 (A) purposes;
C. Number of installment payments, fifteen (15);
D. Amount of each installment payment, approximately equal annual amounts;
E. Due date of first installment payment, three (3) years after the date of last delivery of commodities in each calendar year;
F. Interest rate throughout period of Agreement, five (5) percent.

Item III. USUAL MARKETING TABLE

Commodity	*Import period (calendar year)*	*Usual marketing requirement*
Wheat/wheat flour	1980	452,000 metric tons
Feedgrains	1980	1,870,000 metric tons

Item IV. EXPORT LIMITATIONS

A. Export limitation period:

The export limitation period shall be calendar year 1980 and any subsequent calendar year during which commodities financed under this Agreement are being imported or utilized.

[1] Came into force on 24 June 1980 by signature, in accordance with part III (B).
[2] United Nations, *Treaty Series*, vol. 1041, p. 225.

B. Commodities to which export limitations apply:

For the purposes of part I, article III A (4) of this Agreement, the commodities which may not be exported are: for wheat/wheat flour—wheat, wheat flour, rolled wheat, semolina, farina, bulgur (or the same products under a different name); and for corn—feedgrains including corn, cornmeal, barley, grain sorghum, rye, oats and mixed feeds containing predominantly such grains.

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 Portugal agrees:

1. The first priority for the use of these sales proceeds will be to implement a national program of soil fertility and forage production. As part of this effort, the GOP will support the production, distribution and sale of fertilizer and limestone and will support research and extension programs to promote their application by producers.

2. Also as part of this PL 480 program the Government of Portugal will:

(A) Support the National Agriculture Research Institute, and other research institutions as appropriate, in their programs of applied agricultural research in such areas as efficient land use, soils, cropping, seeds, fertilizer/pesticide use, farm management, irrigation, and dairy/cattle herd production;

(B) Increase support for the Agricultural Extension Service in order to improve the effectiveness of its activities in disseminating information and demonstrating improved production techniques to small-scale producers. As part of this effort the GOP will increase training opportunities for extension agents, including the use of PL 480 generated currencies to provide technical assistance for this training;

(C) Provide investment and operational credit to private entrepreneurs and cooperative organizations to finance agricultural production, marketing, and agro-industrial processing facilities;

(D) Expand public facilities for the collection, storage, and marketing of agricultural products, including livestock, and for the storage and distribution of farm inputs;

(E) Implement programs to improve agricultural data collection and analysis required for the formulation of rural agricultural development policies and to establish a nationwide service to provide producers with current market information on a timely basis;

(F) Support practical programs of education, research and extension in agriculture and other high priority development sectors, including escudo cost of U.S. technicians and transportation costs of Portuguese technicians studying in the United States;

(G) Construct bulk grain handling facilities at an appropriate deep water port and continue construction of inland handling and maintenance facilities.

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 Item V above.

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.

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

DONE at Lisbon, in duplicate, this twenty-fourth day of June 1980.

For the Government of the United States of America:
[*Signed*]
RICHARD J. BLOOMFIELD
Ambassador

For the Government of Portugal:
[*Signed*]
JOSÉ ALBERTO VASCONCELOS TAVARES MOREIRA
Secretary of State for the Treasury

SUMMARY MINUTES OF NEGOTIATIONS BETWEEN THE GOVERNMENT OF PORTUGAL AND THE GOVERNMENT OF THE UNITED STATES REGARDING AN AGREEMENT FOR SALES OF AGRICULTURAL COMMODITIES UNDER TITLE I OF THE AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT OF 1954, AS AMENDED (PUBLIC LAW 480—83rd CONGRESS)

Session: June 17, 1980
Lisbon, Portugal

Representing the Government of Portugal:

Dr. Carlos da Conceição Nunes Portela, Ministry of Foreign Affairs
Dr. José Manuel Mendes Barata, Ministry of Finance (Treasury)
Dra. Maria Glória Morão Lopes, Ministry of Finance (Treasury)
Dr. Rui Soares dos Santos, Ministry of Finance
Eng. Oscar Petinga, Ministry of Agriculture and Fisheries
Dr. Adolfo Lima, Ministry of Agriculture and Fisheries
Eng. José Oliveira, Ministry of Agriculture and Fisheries
Eng. Correia de Pinho, Ministry of Agriculture and Fisheries
Eng. Pereira Coutinho, EPAC (Public Enterprise for the Supply of Cereals)
Dr. Antonio Avilez, EPAC (Public Enterprise for the Supply of Cereals)
Mr. Geraldes Freire, EPAC (Public Enterprise for the Supply of Cereals)
Dr. Crisóstomo Teixeira, Ministry of Transportation and Communications
Dr. Fernando Alves Nogueira dos Santos, IFADAP (Institute of the Financial Support to Development of the Agriculture and Fisheries Sectors)
Dra. Maria de Lurdes Serra, Ministry of Foreign Affairs

Representing the Government of the United States:

Mr. Stephen B. Watkins, U.S. Embassy
Mr. Donald R. Finberg, U.S. Embassy
Mr. Richard T. McDonnell, U.S. Embassy

[*Signed — Signé*][1]
Embassy of the USA

[*Signed — Signé*][2]
Ministry of Foreign Affairs

[1] Signed by Stephen Watkins — Signé par Stephen Watkins.
[2] Signed by C. Portela — Signé par C. Portela.

The initial negotiation session was opened by Dr. Carlos da Conceição Nunes Portela of the Ministry of Foreign Affairs who welcomed the members of the U.S. delegation and introduced the other members of the Portuguese delegation. Dr. Portela noted the importance of PL 480 to Portugal, stressing that economic stability is a necessary requisite of a democracy and PL 480 has contributed to that end. Dr. Portela then gave the floor to the U.S. spokesman who, after introducing the other members of the U.S. delegation, agreed that PL 480 has been important to Portugal and said that the agreements have played a key role in strengthening bilateral relationships between the United States and Portugal. The two sides then proceeded directly to consideration of the proposed agreement and the accompanying talking points which had been prepared by the U.S. side.

The talking points were as follows.

A major purpose of the PL 480 program is to relate U.S. assistance to efforts by recipient countries to increase agricultural production. To this end, this year's agreement proposes to allocate PL 480 resources to the Portuguese program to increase production of corn, forages, and other crops. This soil correction and forage production program is expected to lessen dependence on grain imports.

We wish to emphasize that this PL 480 program and other support for Portuguese development programs are complementary. In particular, it is planned that technical assistance and dollar loan funds will supplement proceeds from last year's and this year's PL 480 agreement in support of the GOP's soil correction and forage production program. These dollar funds should be available for use over the next 3-5 years. The areas identified in the self-help section of the proposed agreement represent those areas which U.S. and Portuguese agriculturalists think most worthy of emphasis.

Without further general comments, let us turn to consideration of the proposed agreement.

The proposed agreement for CY 1980 incorporates by reference the preamble, parts I and III of the March 18, 1976 Agreement. Together with the proposed part II, the preamble and parts I and III constitute a new agreement.

The following issues and conditions relative to the proposed part II are requisites to the new agreement.

A. Financing for the commodities proposed for inclusion in this agreement, wheat and corn, is subject to availability of those commodities at the time of shipment, as well as to the issuance and acceptance of purchase authorizations (PA's).

Commodity composition

B. Tonnages are set forth in item I, part II of the proposed agreement. These are approximate quantities based on average annual prices. The Government of Portugal (hereafter GOP) is reminded that the dollar values control the maximum quantity of commodity which can be purchased in the U.S. market. In all cases, commodities are purchased from private U.S. suppliers and actual prices are agreed upon between buyers and sellers subject to price review by USDA. Of the $40 million included in the proposed CY 1980 agreement, $29 million will be available from U.S. fiscal year (ending September 30, 1980) funds and $11 million will be allocated from U.S. fiscal year 1981 funds for procurement during the last three months of calendar year 1980.

Commodity deliveries

C. The supply period indicated in item I, part II is calendar year 1980. It is the responsibility of the GOP to ensure that commodities purchased with FY 1980 funds are on board vessels at U.S. ports before the end of September. The U.S. Government (hereafter USG) will make every effort to provide assistance to the Portuguese Embassy in Washington to meet this requirement. In order to expedite the implementation of the agreement after signature, the GOP should make an early request through the Portuguese Embassy in Washington for purchase authorizations (PA's).

Storage disincentive

D. Based on its own independent analysis, the GOP has determined that receipt of proposed commodity amounts will not act as a substantial disincentive to either production or marketing in Portugal. The U.S. Embassy in Lisbon agrees with this finding.

Operational matters

E. Purchase authorizations (PA's) will not be issued until the U.S. Department of Agriculture has received the following information, which must be provided in writing to the U.S. Embassy in Lisbon before signing of the agreement:

—Type and grade of commodities to be purchased in accordance with the official U.S. standards.

—Proposed contracting and delivery schedules. ("Delivery" here means delivery to vessel at U.S. port.).

—Name and address of the U.S. bank and Portuguese bank through which letters of credit for commodity and ocean freight will be opened.

—Assurance that appropriate GOP authorities are prepared to make prompt transfers of funds to cover ocean freight costs on commodities purchased under the agreement.

F. The GOP is also requested to provide assurances that arrangements have been made by appropriate authorities to relay to the Portuguese Embassy in Washington all instructions, information, and authority necessary to ensure timely implementation of the agreement, including: (1) the information included in the preceding paragraph; (2) complete instructions regarding arrangements for purchasing commodities and contracting for freight (including appointment of purchasing and/or shipping agent if applicable); and (3) instructions to contact Program Operations Division, EC, Foreign Agricultural Service, USDA, for further assistance in implementing the agreement.

G. The GOP is also reminded that, under current regulatory and legislative requirements:

(1) Purchase of food commodities under the agreement must be made on the basis of invitations for bids (IFBs) publicly advertised in the United States and on the basis of bids (offers) which must conform to the IFB. Bids must be received and publicly opened in the United States. All awards under IFBs must be consistent with open, competitive, and responsive bid procedures.

(2) Terms of all IFBs (including IFBs for ocean freight) must be approved by the General Sales Manager, FAS, USDA, prior to issuance.

(3) Commissions, fees, or other payments to any selling agent employed or engaged by the supplier to obtain a contract are prohibited in any purchase of food commodities under the agreement.

(4) If the GOP nominates a purchasing and/or shipping agent to procure commodities or arrange ocean transportation under the agreement, the GOP must notify the General Sales Manager, FAS, USDA in accordance with regulatory standards designed to eliminate certain potential conflicts of interest. The GOP must, prior to the issuance of PA's, provide the General Sales Manager, FAS, U.S. Department of Agriculture with a copy of the proposed agency agreement(s). All such agreements with purchasing and/or shipping agents must be approved by the General Sales Manager.

Letters of credit

H. For each purchase, the designated importing agency (DIA) must authorize the U.S. bank previously identified by the GOP to open necessary letter(s) of credit in the name of the U.S. exporter(s) specifying the amount to be paid by the Commodity Credit Corporation and the net amount (5 percent) to be paid by the DIA's U.S. bank. The DIA must also ensure that letter(s) of credit for both commodities and freight are opened, and confirmed by their designated U.S. bank immediately after the PA's are issued and commodities are purchased and vessels booked.

Ocean transportation

I. Letters of credit for one hundred percent of the freight must be opened in favor of the supplier of the ocean transportation prior to vessel presentation for loading. Delays in opening the letters of credit may result in shipowners' action preventing loading or release of commodities. Commodity and freight suppliers may refuse to load vessels when acceptable letters of credit for commodities/freight are not available at time of loading. As the GOP is aware, this can result in costly claims by commodity suppliers (carrying charges) and by suppliers of ocean transportation (detention/demurrage).

J. The U.S. will pay the differential between U.S. and foreign flag freight rates on the shipment of the 50 percent of the commodities which by law must be transported in U.S. flag vessels.

K. Charters of U.S. as well as non-U.S. flag vessels must have approval of the General Sales Manager, FAS, USDA prior to final acceptance by the GOP representative in the U.S.

Reporting

L. The USG has noticed a significant improvement in both the quality and timeliness of GOP submission of required reports and hopes that this performance will continue. Required reports remain as follows:

—Shipping and arrival printouts should be provided to the US Embassy in Lisbon as soon as possible, but not later than 30 days after the last unloading indicated on the report;

—Compliance reports should be submitted quarterly, ie., January 15 for the period October 1-December 31, April 15 for the period January 1-March 31, etc.;

—Self-help reports should be submitted to the U.S. Embassy by December 1;

—Receipts and expenditure proceeds should be submitted to the U.S. Embassy when requested by the USG but not less often than annually, coincident with GOP fiscal year budget reporting procedures.

Payment terms

M. Payment terms are set forth in item II, part II, of the proposed agreement. These are the same as those of the FY 1979 Agreement.

N. The GOP will be required to open a letter of credit to cover the 5 percent initial payment to each U.S. supplier. PA's also specify the percentage of purchase price (5 percent) that is to be paid by the importing government to the U.S. supplier. This amount is, in fact, the initial payment.

O. A currency use payment (CUP), equivalent to 10 percent of the amount financed (which for each purchase is 95 percent) is to be paid to the U.S. Embassy in Lisbon and shall be credited against interest charges during the grace period and against both interest and principal thereafter.

Usual marketing requirements

P. The usual marketing requirements (UMR's) are set forth in item III, part II of the proposed agreement. UMR's are established to ensure that sales under the agreement will not unduly disrupt world prices, normal patterns of trade with friendly countries or dollar sales of U.S. agricultural commodities. The UMR's designated in item III are the minimum quantities Portugal must import, through commercial channels, during calendar year 1980 from the U.S. or other eligible countries.

Q. UMR's must be met even though the amount available under PL 480 may not be fully utilized. Purchases to meet UMR requirements are to be financed by Portugal from its own resources. Purchases using COC or other commercial credits are acceptable for meeting UMR requirements and the GOP is encouraged to use the COC program as they see fit. While conclusion of this agreement is not dependent upon Portuguese purchases of U.S. commodities, the U.S. is a traditional and reliable supplier of agricultural products and seeks a fair share of Portugal's commercial imports.

R. Imports credited to UMRs are considered to be valid only from the time of their customs clearance into Portugal.

S. Should the USG authorize and finance deliveries of commodities to extend beyond the supply period specified in item I, part II of the proposed agreement, Portugal will be required to maintain the same UMR again for the subsequent comparable period. If a UMR different from that established in the agreement is deemed appropriate, the agreement will be amended.

Export limitations

T. The export limitation provisions of the agreement are set forth in item IV, part II of the proposed agreement. It is understood that Portugal will refrain from exporting those commodities which are the same or like those included in the agreement.

U. As was agreed in the FY 79 Agreement, exports of malting barley or barley for processing in coffee are permitted, provided that cash or commercial credit purchases of U.S. feed grains will exceed the UMRs by like amounts and, that such exports are noted in quarterly compliance reports.

Self-help measures

V. Timely utilization of locally generated currencies (self-help funds) remains of great interest to the USG. While an improvement in the application of self-help funds has been noted since conclusion of last year's agreement, greater effort must be devoted to expenditure of remaining funds, particularly those earmarked for credit. The U.S. Embassy in Lisbon has been working closely with a Ministry of Agriculture working group to develop a soil correction and forage production program with specific goals and objectives. This program receives special attention under the self-help measures set forth in item V, part II of the proposed agreement. First priority for local currencies generated by the CY 1980 agreement and unallocated funds generated by the FY 1979 agreement will be earmarked and devoted to the pursuit of these objectives.

It is understood that local currencies generated from PL 480 programs should be regarded as additive to budgetary resources normally devoted by the GOP to the agricultural sector. Officials of the GOP and USG will consult further over specific allocation of these PL 480 sale proceeds. Unspent funds remaining from the FY 1976, 1977, and 1978 agreements will be used in self-help areas identified in previous agreements.

Publicity

W. The USG continues to require that identification and publicity be given to transactions under the agreement. In this regard the GOP is requested to announce publicly each delivery of commodities purchased under the agreement. In this connection, the GOP is expected to provide the U.S. Embassy in Lisbon periodically with statements on actions taken to meet these requirements.

Violations

X. The GOP is reminded that failure to comply with UMR, export limitation, or other provisions of the proposed agreement could result in withholding issuance of purchases authorizations and would be taken into account in consideration of any future PL 480 agreements.

During the review of the draft agreement GOP negotiators proposed the addition of a new self-help measure, text of which is as follows:

Quote. Construct bulk grain handling facilities at an appropriate deep water port and continue construction of inland handling and maintenance facilities. *Unquote*.

The U.S. side accepted this addition, pending concurrence by Washington. It was agreed that the new measure would be point G of item V, paragraph B, of the agreement.

GOP negotiators also requested the addition of a second paragraph to section B.1 of item V, as follows:

Quote. In a joint statement the MAP (Ministry of Agriculture and Fisheries) and the MFA (Ministry of Finance and Planning) will define both the conditions for the utilization of the said loan as well as the manner in which the appropriate services will release the funds so as to encourage farmers to undertake those risks inherent to carrying out improvements to their properties. *End quote*.

U.S. negotiators responded by saying that since the subject was an internal matter to the GOP, the language more appropriately belonged in the summary minutes of the negotiations. After consultation, GOP negotiators decided this was acceptable.

During a review of the talking points by GOP negotiators a few points were clarified and, with the addition of the above language suggested by the GOP, was found acceptable by both sides.

In view of lack of substantive disagreement on either the proposed agreement or the talking points, U.S. and Portuguese negotiators agreed that further negotiating sessions were not necessary. GOP negotiators said that both sides would endeavor to put both the agreement and summary minutes in final form as soon as possible in order that the agreement might be signed promptly. The U.S. spokesman said Washington approval of the new self-help measure as proposed by the GOP would be sought, and that the U.S. side would deliver, as soon as possible, a final copy of the proposed agreement (with the suggested modification) and a copy of the summary minutes of the June 17 meeting for initialling by the heads of each delegation.

While a specific date and time for signing of the agreement was not set, both sides will endeavor to be ready to sign during the first part of the week beginning June 22. It was agreed that heads of delegations would consult soon to set a mutually acceptable date and time for signing, and to identify respective members of the USG and GOP who will sign the agreement.

AMENDMENT TO THE AGREEMENT OF 24 JUNE 1980 BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF PORTUGAL FOR THE SALE OF AGRICULTURAL COMMODITIES[1]

By an agreement in the form of an exchange of notes dated at Lisbon on 27 March and 8 April 1981, which came into force on 8 April 1981, the date of the note in reply, in accordance with the provisions of the said notes, item IV A of the above-mentioned Agreement of 24 June 1980 was amended to read as follows:

"The export limitation period shall be calendar year 1980 and the first three months of calendar year 1981."

[1] See p. 256 of this volume.