No. 26757

UNITED STATES OF AMERICA
and
PAKISTAN

Agreement for sale of agricultural commodities under Public Law 480 Title I Program (with minutes and attachment). Signed at Islamabad on 4 June 1981

Authentic text: English.

Registered by the United States of America on 8 August 1989.

ÉTATS-UNIS D'AMÉRIQUE
et
PAKISTAN

Accord relatif à la vente de produits agricoles en vertu du programme prévu par le Titre I de la Public Law 480 (avec procès-verbal et pièce jointe). Signé à Islamabad le 4 juin 1981

Texte authentique : anglais.

Enregistré par les États-Unis d'Amérique le 8 août 1989.

AGREEMENT[1] BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF PAKISTAN FOR SALE OF AGRICULTURAL COMMODITIES UNDER PUBLIC LAW 480 TITLE I PROGRAM

The Government of the United States of America and the Government of Pakistan have agreed to the sale of the agricultural commodities specified below. The Agreement shall consist of the Preamble, Parts I and III of the PL 480 Title I Agreement of March 25, 1980,[2] together with the following Part II:

PART II. PARTICULAR PROVISIONS

Item I. *Commodity Table*

Commodity	*Supply Period (US Fiscal Year)*	*Approximate Maximum Quantity (Metric Tons)*	*Maximum Export Market Value (Millions)*
Soybean/Cottonseed Oil	1981	90,000	$50.0

Item II. *Payment Terms* (Convertible Local Currency Credit)

1. Initial Payment — Five (5) Percent
2. Currency Use Payment — None
3. Number of Installment Payments — Thirty-one (31)
4. Amount of Each Installment Payment — Approximately Equal Annual Amounts
5. Due Date of First Installment — Ten (10) Years After Date of Last Delivery of Commodities in Each Calendar Year
6. Initial Interest Rate — Two (2) Percent
7. Continuing Interest Rate — Three (3) Percent

Item III. *Usual Marketing Table*

Commodity	*Import Period (US Fiscal Year)*	*Usual Marketing Requirements (Metric Tons)*
Edible vegetable oil and/or oil bearing seeds (oil equivalent basis)	1981	266,600 (of which at least 81,400 MT shall be imported from the U.S.A.)

[1] Came into force on 4 June 1981 by signature, in accordance with part III (A).
[2] United Nations, *Treaty Series*, vol. 1222, p. 183.

Item IV. *Export Limitations*

A. The export limitation period shall be U.S. Fiscal Year 1981 or any subsequent fiscal year during which commodities financed under this agreement are being imported or utilized.

B. For the purpose of Part I, Article III A.4. of the Agreement, the commodities which may not be exported are soybean/cottonseed oil, sunflower oil, sesame oil, and any other edible vegetable oil or oil bearing seeds from which these oils are produced.

Item V. *Self-Help Measures*

A. The Government of Pakistan agrees to undertake self-help measures to improve the production, storage and distribution of agricultural commodities. The self-help measures should be implemented 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.

B. The Government of Pakistan agrees to the following:

1. To review and to establish for long term production considerations a set of farm gate prices for non-traditional oilseed crops at a level sufficient to provide an incentive to farmers to increase production and to overcome reluctance to plan new crops.

Benchmark: Incentive prices for non-traditional oilseed crops for the agriculture year 1981-82 will be announced before the sowing season. For all oilseed crops, including those promoted by the Ghee Corporation, the Government of Pakistan will prepare a report showing the farm gate price for the agriculture year 1980-81 and the changes occuring for the agricultural year 1981-82.

2. To use the proceeds from this Agreement to finance the Ghee Corporation's programs for expanding the planting, production, purchase, and processing of oilseed crops in order to meet demand over the long term.

Benchmark: The Government of Pakistan will release sufficient funds from the sale's proceeds to the Ghee Corporation for a program to expand the planting, production, purchase, and processing of oilseed crops. This will be approximately Rs.25 million per year in Pakistan's fiscal years 1981-82 and 1982-83.

3. To review and, if necessary, revise the controlled price of hydrogenated vegetable oil (vegetable ghee) to take into account the full cost of agricultural production and processing with a view to stimulating production of oilseeds and curbing consumer demand for hydrogenated vegetable oil (vegetable ghee). Such prices will be commensurate with full cost of production also taking into consideration the cost of imported edible oil CIF Karachi.

Benchmark: The consumer price of hydrogenated vegetable oil (vegetable ghee) produced during agricultural year 1980-81 was Rs.56.0 per 5 kilograms. The Government of Pakistan will prepare a report which reviews the consumer price for hydrogenated vegetable oil (vegetable ghee) based on the total production costs and send it to the U.S. Government by November 30, 1981.

4. To provide additional resources to finance a comprehensive oilseed research program that includes provincial research establishments. Particular empha-

sis will be given to varietal trials, adaptation of appropriate equipment, fertilizer trials, water management, cropping systems and the economic analysis of same.

Benchmark:

(A) The Government of Pakistan will present a report by November 30, 1981 which summarizes current expenditures for traditional and non-traditional oilseed research. The report will include details on current and proposed provincial allocations and expenditures. The allocation in the 1980-1981 Budget will be the benchmark. Allocations in future Budgets (i.e. 1981-82) will show if additional resources are being provided.

(B) The Government of Pakistan will provide, from sales proceeds under the Agreement, a minimum of Rs.2 million per year in FY 81 and 82 to the Pakistan Agricultural Research Council for contractual research on oilseed production and processing. The details for these expenditures should be included in the report described in benchmark A.

5. To provide increased financial support to an oilseed production program for traditional and non-traditional oilseed crops, including funding of necessary support services and inputs, such as extension, fertilizer, insecticides, implements, and seeds.

Benchmark: The Ghee Corporation's program targetted 32,000 acres of new acreage for non-traditional oilseed crops in 1980-81. They achieved 30,000. The expanded program for 1981-82 has a target of 60,000 acres. The Government of Pakistan will make every effort to ensure that availability of seeds and other inputs will be sufficient to meet the increased target.

6. To review laws, regulations, policies, or controls which constrain private entrepreneurs from investing in the production, processing and marketing of oilseeds.

Benchmark: The Government of Pakistan will establish an Oilseed Development Board which will consult with representatives of private trade and industry, to prepare a report by November 30, 1981 detailing incentives and other measures necessary to encourage private sector investment in the production, processing and marketing of oilseeds.

7. To maintain the present favorable agricultural policy environment for wheat production, to maintain and bolster the present input-output price relationships for wheat which have led to increased production.

Benchmark:

(A) The Government of Pakistan will undertake appropriate price adjustments, to provide adequate incentives for increasing agricultural production and to coordinate pricing decisions for agriculture inputs and crops in order to offset any adverse effects of input price adjustments on producer incentives. A report will be submitted to the U.S. Government by November 30, 1981 which gives fertilizer prices and the price of wheat. The report will highlight changes in prices during the period July 1, 1980 until November 1, 1981.

(B) The Agricultural Prices Commission will analyze the cost of production as it relates to seed, fertilizer, water, insecticides, land, fuel and other related inputs to be used in making decisions about future support price levels for wheat. A report will be prepared on studies initiated and carried out during the course of the 1981-82 agricultural year.

(C) Federal and Provincial Governments will impose no restrictions in the transportation/movement, buying, selling and storage of wheat during the course of the Agreement except for restrictions on the movement of whole wheat grain by road needed to minimize the illegal movement of wheat across international borders. In the event the Government determines emergency conditions (as defined in the Title I Agreement of January 1979) warrant temporary imposition of restrictions, the U.S. Government will be notified prior to the announcement.

8. To permit an equitable availability of wheat for private marketing channels, the Government of Pakistan will continue to limit the sale of wheat through ration shops and will continue its efforts to eliminate bogus ration cards.

Benchmark:

Reports will be provided on a semi-annual basis for the following:

(A) The official offtake of wheat, which is not to exceed 3,277 million metric tons.

(B) The number of bogus cards eliminated during PFY 1980-81 and the number of cards existing at the end of PFY 1980-81.

9. To increase domestic storage capacity for wheat and to facilitate procurement operations at harvest time, additional wheat storage facilities will be built in Pakistan.

Benchmark: The Governement of Pakistan will increase total storage capacity by 200,000 metric tons annually over the next two years.

C. *Use of Sales Proceeds*

1. The rupee proceeds from the sale of commodities provided under this Agreement will be credited to the Federal Consolidated Fund of the Government of Pakistan. The Government of Pakistan agrees to credit these proceeds to a special subsidiary account to be named "FY 1981 PL 480."

2. The Government of Pakistan agrees to consult the U.S. Government prior to the allocation of funds to various projects from this special account. Releases from the special account to the projects will be made by the Government of Pakistan based on mutually agreed upon allocations.

3. Such sales proceeds may be used for the self-help measures set forth above and for increasing the production of oilseeds, modernizing oilseed processing facilities and for such other development purposes in the agriculture, rural development, water resources, population, education, and health sectors as may be mutually agreed upon.

D. *Reports and Reviews*

1. By November 30, 1981, the Government of Pakistan agrees to provide a written report which will include but not be limited to:

(A) Progress on implementing the self-help measures set out in item V(B) above.

(B) A comparison of achievements and benchmarks to determine the progress achieved in meeting the self-help measures set out in Item V(B) above; and

(C) A review of the levels of funding being released to carry out the self-help measures.

2. As long as balances remain in the Special Account established pursuant to Item V(C) above, the Government of Pakistan shall provide semi-annual reports on how the proceeds have been used to directly benefit the needy in accordance with Items V and VI of Part II of this Agreement. The first report will be submitted by November 30, 1981 and subsequent reports will be provided at six-month intervals.

3. The Government of Pakistan agrees to convene meetings not less than every six months for the purpose of consulting on the agreed purposes for which the sales proceeds generated under this Agreement will be used, to review actual disbursement and physical progress against agreed benchmarks, to review those self-help provisions which require policy change and to discuss such other matters as may be agreed. The first meeting will be held within three months of the final delivery of commodities financed under this Agreement.

Item VI. *Economic Development Purposes for which Proceeds Accruing to Importing Country are to be Used*

A. The proceeds accruing to the Government of Pakistan 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 development sectors: agriculture, rural development, water resources, population, education, and health.

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.

The proposed use of proceeds will benefit directly the needy people of the importing country in the following ways:

1. The establishment of incentive level prices for oilseeds will raise the income of needy, small farmers who grow oilseed crops;

2. Financing the Ghee Corporation's program for oilseeds will reduce the risk for needy, small farmers who grow these crops;

3. Support of research on oilseeds will make these crops more attractive to needy small farmers as hardier and more productive varieties are developed. More efficient production also will benefit poor consumers;

4. Financial support of a larger oilseed production program will benefit directly the large number of needy farmers who already grow traditional oilseeds and will now begin to grow non-traditional oilseeds; and

5. Maintenance of the wheat research, production, storage, procurement and distribution program will benefit directly the needy people of Pakistan who grow and consume wheat by reducing risks and assuring a reliable supply at reasonable prices. Increased storage facilities are an integral part of a wheat program.

IN WITNESS WHEREOF, the respective representatives duly authorized for the purpose have signed the present agreement. Done at Islamabad in duplicate this 4th day of June 1981.

For the Government of Pakistan:

By: [*Signed*]

Name: EJAZ A. NAIK

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 MEETING HELD APRIL 30, 1981, MAY 5, 1981, AND MAY 21, 1981 REGARDING THE FISCAL YEAR 1981 PL 480 TITLE I AGREEMENT OF JUNE 4, 1981

The following subjects were discussed at the meetings held between the U.S. Government and the Government of Pakistan representatives on the FY 1981 PL 480 Agreement on April 30, 1981, May 5, 1981 and May 21, 1981.

Special Instructions

The U.S. Government representatives gave copies of the PL 480 special instructions to the Government of Pakistan representatives (Attachment A). Together both parties read through and discussed this document. The Government of Pakistan was informed that these are the required operating instructions for all PL 480 agreements.

The Government of Pakistan asked for clarification of the Usual Marketing Requirement (page 3, No. 7 of Attachment A). The U.S. informed them that the importation period for the 1981 Agreement covered the period from October 1, 1980 to September 30, 1981, and that the UMR included all edible oils.

During the May 21 meeting, Government of Pakistan representatives expressed concern that due to the lateness of negotiations they may not be able to meet the Usual Marketing Requirement (UMR) within the final quarter of US FY 1980-81. The Government of Pakistan negotiating team assured the United States representatives that any shortfall would be made up in the following year. The problem stemmed from the fact that the Government of Pakistan had authorized exceptionnally large imports of vegetable oil during the first quarter of PFY 1980-81. (The Pakistan Fiscal Year runs from July 1 to June 30). Subsequent to the meeting, however, further examination of total imports, apart from PL 480 financed imports, and reasonable projection of expected imports, including unrestricted private sectors imports, revealed that the Government of Pakistan would be able to meet the UMR. In a letter dated May 24, 1981, Government of Pakistan representatives estimated that total imports should total 343,686, well above the UMR of 266,600. In the same letter US source imports are expected to total 65,138 MT or 16,262 MT short of the 81,400 MT specified in the Agreement. However, it is expected that an additional 16,000 MT of edible oil will be imported by the private sector by September 30, 1981. If the United States portion of the UMR is not met this year, Government of Pakistan representatives gave assurance that it would be made up in subsequent years.

General Discussion

The U.S. representatives focused special attention on the first two points of Attachment A which highlighted the U.S.'s chief concern in this and subsequent PL 480 negotiations. These two points are as follows:

1. The primary focus of the self-help measures has been shifted from encouraging wheat production to meeting Pakistan's continuing and increasing oilseeds problem, with the understanding that the policies which support wheat production will be maintained.

2. Future PL 480 Title I programs will be dependent on Pakistan's performance in undertaking credible and timely efforts to break the long run stagnant trend in oilseed production. If a credible and timely oilseed production program is launched, the U.S. Government will welcome the opportunity to discuss a "Food

for Development" (Title III) program which would provide more favorable financial terms in the framework of a multi-year commitment to an oilseed production strategy.

Much of the discussion throughout the meetings centered on the Government of Pakistan's commitment to resolving the oilseed development problem in Pakistan. The Government of Pakistan representatives acknowledged the unsustainable rate of growth of oilseed imports. They also indicated a strong commitment to resolve local production problems (inferior seeds, abundance of pests, lack of farmer incentives, etc.) and promote a quality local oilseed program. The Government of Pakistan representatives cited a few of the constraints to the resolution of these problems. The primary constraint was the availability of money under Pakistan's budget and Annual Development Plans. The second constraint was the absorptive capacity of Pakistan's oilseed research institutions. The Government of Pakistan welcomed the U.S. effort to support and encourage their oilseed program. However, they encouraged close association of the Agreement with efforts the GOP has undertaken to address the growing problem which they have already recognized.

The U.S. acknowledged the Government of Pakistan's desire to improve their oilseed production. However, it was pointed out that in the past several years the concern regarding oilseed development has not progressed past the study and planning stage. In recognition of the magnitude of the problem, and given the concern for future program, this agreement simply sets out measurable objectives which can be accomplished within the next year and objectives which will demonstrate a commitment by the Government of Pakistan to resolving these critical problems. Most of the self-help measures are taken from Pakistan's own studies and plans for oilseed development in Pakistan.

Item V.B.

The discussion then focused on specific self-help measures.

Self-Help Measure 1

To review and to establish for long term production considerations a set of farm gate prices for non-traditional oilseed crops at a level sufficient to provide an incentive to farmers to increase production and to overcome reluctance to plant new crops.

Benchmark: Incentive prices for non-traditional oilseed crops for the agriculture year 1981-82 will be announced before the sowing season. For oilseed crops, including those promoted by the Ghee Corporation, the Government of Pakistan will prepare a report showing the farm gate price for the agriculture year 1980-81 and the changes occuring for the agriculture year 1981-82.

Discussion: The Self-Help Measure was acceptable. The Government of Pakistan representatives, however, requested that the listing of hoped for incentive prices be reflected in these minutes since they have established an Agricultural Prices Commission which will be setting these prices. Although the Agricultural Prices Commission would consider these proposed prices, their recommendations would have to take into account a number of concerns. In the event that the Commission is not operational in time for the sowing season, the Government of Pakistan assured the U.S. representatives that appropriate revised prices would be announced.

The U.S. representatives agreed to place the expected percentage increases in prices of non-traditional oilseeds in the official minutes. The U.S. representatives stressed that the production program of the Ghee Corporation (GCP) required that official buyers for the GCP be authorized to offer incentive prices above those for 1980-81.

The prices for non-traditional oilseed crops specifically promoted by the Ghee Corporation of Pakistan for the agricultural year 1980-81 and the suggested 1981-82 incentive price increases are:

Crop	*1980-81 Rs./Maund**	*1981-82 Percentage Increase Recommended*
Sunflower	110	12-14
Safflower	90	15-17
Soybean	100	10-12
Groundnuts	207	**

* See page [56 of this volume].
** (The Government of Pakistan will make concerted efforts to increase groundnut production and to release high yielding commercial varieties of seeds to farmers.)

Self-Help Measure 2

To use the proceeds from this Agreement to finance the Ghee Corporation's programs for expanding the planting, production, purchase and processing of oilseed crops in order to meet demand over the longterm.

Benchmark: The Government of Pakistan will release sufficient funds from the sales proceeds to the Ghee Corporation for a program to expand the planting, production, purchase, and processing of oilseed crops. This will be approximately Rs.25 million per year in Pakistan's fiscal year 1981-82 and 1982-1983.

Discussion: The Government of Pakistan representatives questioned the relationship of the Benchmark for Self-Help Measure 2 to the normal budgetary process of the Pakistan Government and the ability of the Ghee Corporation to effectively utilize Rs.25 million in one year.

The U.S. representatives pointed out the Ghee Corporation's PC-1* has primary level approval by the Government of Pakistan and it calls for more than Rs.50 million to be allocated over a two-year period. In addition, the PC-1 sets out specific plans for utilizing all of these funds in support of a growing oilseed unit.

The U.S. representatives continued to strongly support release of funds for this Ghee Corporation oilseed production program. This activity is the single clearly identified activity which can demonstrate field level action to increase production of non-traditional oilseeds.

Self-Help Measure 3

To review and, if necessary, revise the controlled price of hydrogenated vegetable oil (vegetable ghee) to take into account the full cost of agricultural production and processing with a view to stimulating production of oilseeds and curbing consumer demand for hydrogenated vegetable oil (vegetable ghee). Such prices will be

* See page [56 of this volume].

commensurate with the full cost of production also taking into consideration the cost of imported edible oil CIF Karachi.

Benchmark: The consumer price of hydrogenated vegetable oil (vegetable ghee) produced during agricultural year 1980-81 was Rs.56.0 per 5 kilograms. The Government of Pakistan will prepare a report which reviews the consumer price for hydrogenated vegetable oil (vegetable ghee) based on the total production costs and send it to the U.S. Government by November 30, 1981.

Discussion: During discussion of this Self-Help Measure, the Government of Pakistan stated that the price of edible oil is not controlled. The above wording of the Self-Help Measure reflected this modification.

Self-Help Measure 4

To provide additional resources to finance a comprehensive oilseed research program that includes provincial research establishments. Particular emphasis will be given to varietal trials, adaptation of appropriate equipment, fertilizer trials, water management, cropping systems and the economic analysis of same.

Benchmark:

(A) The Government of Pakistan will present a report by November 30, 1981 which summarizes current expenditures for traditional and non-traditional oilseed research. The report will include details on current and proposed provincial allocations and expenditures. The allocation in the 1980-81 Budget will be the benchmark. Allocations in future Budgets (i.e. 1981-82) will show if additional resources are being provided.

(B) The Government of Pakistan will provide from sales proceeds under the Agreement a minimum of Rs.2 million per year in PFY 81 and 82 to the Pakistan Agricultural Research Council for contractual research on oilseed production and processing. The details for these expenditures should be included in the report described in benchmark A.

Discussion: The Government of Pakistan was confident that the budget allocations for oilseed research would undoubtedly be more than that indicated in the Agreement. It was agreed that the Pakistan Agricultural Research Council will report quarterly on the use of these special research funds and forward copies of the report to the U.S. Government.

Self-Help Measure 5

To provide increased financial support to an oilseed production program for traditional and non-traditional oilseed crops, including funding of necessary support services and inputs, such as extension, fertilizer, insecticides, implements and seeds.

Benchmark: The Ghee Corporation's program targeted 32,000 acres of new acreage for non-traditional oilseed crops in 1980-81. They achieved 30,000. The expended program for 1981-82 has a target of 60,000 acres. The Government of Pakistan will make every effort to ensure that availability of seeds and other inputs will be sufficient to meet the increased target.

Discussions: The Government of Pakistan requested that the Benchmark reflect additional effort to increase oilseed acreage rather than a specific target.

The U.S. representatives indicated that the specified acreage target, 60,000 acres, was the Ghee Corporation's proposal.

Self-Help Measure 7

To maintain the present favorable agricultural policy environment for wheat production, to maintain and bolster the present input-output price relationships for wheat which have led to increased production.

Benchmark:

(A) The Government of Pakistan will undertake appropriate price adjustments to provide adequate incentives for increasing agricultural production and to coordinate pricing decisions for agriculture inputs and crops in order to offset any adverse effects of input price adjustments on producer incentives. A report will be submitted to the U.S. Government by November 30, 1981 which gives fertilizer prices and the price of wheat. The report will highlight changes in prices during the period July 1, 1980 until November 1, 1981.

(B) The Agricultural Prices Commission will analyze the cost of production as it relates to seed, fertilizer, water, insecticides, land, fuel and other related inputs to be used in making decisions about future support price levels for wheat. A report will be prepared on studies initiated and carried out during the course of the 1981-82 agricultural year.

(C) Federal and Provincial Governments will impose no restrictions in the transportation/movement, buying, selling and storage of wheat during the course of the Agreement except for restrictions on the movement of whole wheat grain by road needed to minimize the illegal movement of wheat across international borders. In the event the Government determines emergency conditions (as defined in the Title I Agreement of January, 1979) warrant temporary imposition of restrictions, the U.S. Government will be notified prior to the announcement.

Discussion: It was agreed that given the recent establishment of the Agricultural Prices Commission many of the reports cited in Benchmark 7(B) will not be completed in the near term, however, this task clearly falls within the mandate of this newly created body.

Self-Help Measure 8

To permit an equitable availability of wheat for private marketing channels, the Government of Pakistan will continue to limit the sale of wheat through ration shops and will continue its efforts to eliminate bogus ration cards.

Benchmark: Reports will be provided on a semi-annual basis for the following:

(A) The official offtake of wheat which should not exceed 3.277 million metric tons.

(B) The number of bogus cards eliminated during PFY 1980-81, and the number of cards existing at the end of PFY 1980-81.

Discussion: The Government of Pakistan wished to maintain the limit for the public sector offtake of wheat at 3.277 million metric tons although the actual public sector offtake for distribution through the ration shops has recently been closer to 2.3 million metric tons. It was agreed that official offtake would be limited to the higher figure.

The Government of Pakistan representatives stressed the diminishing role of the ration shops given the favorable supply for wheat. In addition, they stated that the Government of Pakistan is studying the option of expanded open market operations as the policy instrument to influence wheat prices.

Use of Sales Proceeds — Item V.C.

The Government of Pakistan informed the U.S. representatives that all payment must be deposited into the Federal Consolidated Fund. However, it would be possible to maintain a special subsidiary account entitled "FY 1981 PL 480". This would allow for separate monitoring. The U.S. representatives agreed.

It was mutually agreed to add "education" as an additional purpose for which the sales proceeds could be used.

Reports and Reviews — Item V.D.

The Government of Pakistan stated that meetings should be held as frequently as needed but should not be required more often than semi-annually.

The wording was changed to indicate meetings should be at least every six months.

The U.S. Government regards the reports specified in the Agreement as essential to the evaluation of the terms of this Agreement.

The Government of Pakistan was requested by the U.S. Government to nominate by June 30, 1981 an official who will obtain from various Pakistan organizations the information required in all of the agreements' reports. The Government of Pakistan representatives indicated that this task would be managed by the Joint Secretary, EAD. Economic Affairs Division will then be responsible for transmitting these reports to the U.S. Government.

The U.S. representatives will meet with this designated official prior to July 31, 1981 to work on designing report formats and establishing a schedule for the submission of all required reports.

Communication

For the purpose of this agreement, communication will be through the Secretary or the Joint Secretary or the Deputy Secretary of the Economic Affairs Division for the Government of Pakistan and through the United States Agricultural Attaché and the Mission Director, Agency for International Development Pakistan for the U.S. Government.

Attendance

The lists of attendees for the meetings are attached.*

For the Government of Pakistan:

By: [*Signed*]

Name: EJAZ A. NAIK

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

* Not printed. [Footnote added by the Department of State.]

DEFINITION OF TERMS

Rupee: $1.U.S. = 9.90 Pakistan Rupees

Maund: 82.286 lbs.

PC-1: a Government of Pakistan funding document equivalent to an A.I.D. project paper.

ATTACHMENT A

P.L. 480 TITLE I FY 1981 AGREEMENT ITEMS TO BE BROUGHT TO THE ATTENTION OF THE GOVERNMENT OF PAKISTAN

Before listing the items we have been instructed to bring to the attention of the Government of Pakistan, we believe it would be helpful to list the major changes incorporated in this Agreement as opposed to previous P.L. 480 Title I Agreements. These are:

1. The primary focus of the self-help measures has been shifted from encouraging wheat production to meeting Pakistan's continuing and increasing oilseeds problem, with the understanding that advances in wheat production will be maintained.

2. Future P.L. 480 Title I programs will be dependent on Pakistan's performance in undertaking credible and timely efforts to break the long run stagnant trend in oilseed production. If a credible and timely oilseed production program is launched, the U.S. Government will welcome the opportunity to discuss a "Food for Development" (Title III) program which would provide more favorable financial terms in the framework of a multi-year commitment to an oilseed production strategy.

3. The rupee proceeds from the sale of commodities provided under this Agreement will be deposited into a Special Account to be used for mutually agreed development activities in accordance with Part II Item V.C. and Item VI.A. of the Agreement.

Following is a list of items that the U.S. Government wishes to bring to the attention of the Government of Pakistan.

1. *Agreement*

The proposed Agreement will consist of: (*a*) Preamble, incorporating by reference the Preamble, Part I (containing general provisions) and Part III (containing the final provisions) of Title I Agreement signed March 25, 1980; and (*b*) Part II showing the particular provisions of the proposed Agreement.

2. *Financial Terms*

The financing, as set forth in Part II, Item II of the proposed Agreement, provides for $50.0 million under convertible local currency credit terms of forty (40) years credit, including a ten (10) year grace period, with an interest rate of two (2) percent during the grace period and three (3) percent thereafter. The terms also provide for an initial payment of five (5) percent and no currency use payment.

3. *Commodity Composition*

The proposed commodity composition, as shown in Part II, Item I, provides for 90,000 metric tons (MT)of soybean/cottonseed oil.

The U.S. Government is unable to fufill the GOP's request for up to 210,000 MT of vegetable oil under an FY 1981 Title I Program. Severe budget limitations have reduced total PL 480 funding availability for Title I programs. The USG is able to supply only 90,000 MT of soybean/cottonseed oil in FY 1981.

4. The export market value specified in Part II may not be exceeded. This means that, if commodity prices increase over those used in determining the market values 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 quantities of commodities to be financed will be limited to those specified in Part II.

5. U.S. sales opportunities in the commercial markets for agricultural commodities should be on an equal footing with other commodities. Any policies that may impede fair U.S. participation in these markets should be identified and corrected. The U.S. should be advised of any agricultural export opportunities.

6. After USDA issues the purchase authorizations, and as soon as commodities are purchased and vessels, booked, the GOP should promptly open Letters of Credit for both commodities and freight.

7. *Usual Marketing Requirements (UMR's)*

Part II, Item III of the draft Title I Program provides for the Usual Marketing Requirement (UMR) in fiscal year 1981 of 266,600 MT of edible vegetable oil and/or oil seeds (oil equivalent basis) of which at least 81,400 MT should be imported from the USA.

8. *Export Limitations*

The export limitations shown under Item IV (A) and (B) of Part II of the enclosure are the same as for the FY 1980 Title I Agreement signed on March 25, 1980.

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

(A) The FY 1981 self-help measures reaffirm the USG's interest in sustaining Pakistan's wheat production gains and in seriously addressing the problem of oilseed production. Concessional financing under PL 480 may be jeopardized in the future if no credible and timely effort is made to break the long run stagnant trend in oilseed production. Governing legislation prohibits the financing of PL 480 commodities in situations where the import of such commodities may constitute a significant disincentive to domestic production.

(B) If a credible and timely oilseed program is launched, the USG will welcome the opportunity to discuss a more comprehensive "Food for Development" program which would have the advantages of assuring agreed levels of supplies on more favorable financial terms in the framework of a multi-year commitment to an oilseed production strategy. Such discussion will take place whenever the record of commitment and action to solving the oilseed production — consumption problems can be demonstrated perhaps as early as FY 1982 or FY 1983.

(C) It is the intention of the USG to support the GOP in its efforts to improve its oilseed supply and demand situation, in keeping with the GOP's recent undertaking with the IMF.

(D) Any future PL 480 programming will be dependent on GOP performance and the submission of a complete report on the action and progress taken in the implementation of these self-help measures.

(E) In accordance with items V and VI of Part II: (1) there must be 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) priority will be given in the use of sales proceeds for purposes which directly improve the lives of the poorest of the recipient country's people and their country.

10. *Operational Considerations*

(A) Purchase Authorizations will be issued under the Agreement only after the Secretary of Agriculture has determined that: (1) 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 (2) the 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. Bids must be received and publicly opened in the United States. All awards under IFB must be consistent with open, competitive and responsive bid procedures.

(C) The terms of all IFBs (including IFBs 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) (1) If the Pakistan Government nominates a purchasing agent and/or shipping agent to procure commodities or arrange ocean transportation under the Agreement the GOP 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 regulatory standards designed to eliminate certain potential conflicts of interest.

(2) Arrangements must be made by the GOP to relay to its Washington Embassy 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 commodity and freight; and (*d*) authority to request and sign purchase authorizations and other necessary documents; (*e*) complete instructions/information/authority regarding arrangements for purchasing commodities and contracting for freight (including the appointment of purchasing and/or shipping agents if applicable); and (*f*) instructions to contact Program Operations Division, Office of the General Sales Manager, USDA regarding the foregoing.

(3) 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.

(4) Delays in opening letters of credit and settlement of the final ten (10) percent of freight will also result in higher commodity prices and freight rates. The GOP should therefore assure that appropriate measures will be taken to ensure that operable letters of credit for both commodities and freight will be opened, and confirmed by designated U.S. banks, immediately after contracting under each Purchase Authorization is concluded, and before vessels arrive at loading ports. With particular regard to ocean freight, the GOP should be aware that letters of credit for one hundred (100) percent of ocean freight charges must be opened in favor of the supplier of the ocean transportation prior to vessel's presentation for loading.

11. *Reporting Requirements*

Reporting is an essential part of the PL 480 Title I Program. Submission of timely reports on compliance, arrival and shipping information (ADP sheets) Article III (D), Self-Help (Article III (C)) and use of sales proceeds (Article III (F)) are required under the provisions of the Agreement. Also, see Item V.D. of the Agreement.

12. *Identification and Publicity*

Part I Article II (1) of the Title I Agreement provides that Government of Pakistan shall undertake such measures, as may be mutually agreed, prior to the delivery of commodities, for the identification and publicity of commodities to be received.