

No. 26982

**UNITED STATES OF AMERICA
and
EGYPT**

**Agreement for the sale of agricultural commodities (with
agreed minutes dated 16 December 1981). Signed at
Cairo on 21 December 1981**

**Exchange of notes constituting an agreement amending the
above-mentioned Agreement. Washington, 5 February
1982**

Authentic texts: English.

Registered by the United States of America on 19 December 1989.

**ÉTATS-UNIS D'AMÉRIQUE
et
ÉGYPTE**

**Accord relatif à la vente de produits agricoles (avec procès-
verbal approuvé en date du 16 décembre 1981). Signé au
Caire le 21 décembre 1981**

**Échange de notes constituant un accord modifiant l'Accord
susmentionné. Washington, 5 février 1982**

Textes authentiques : anglais.

Enregistrés par les États-Unis d'Amérique le 19 décembre 1989.

AGREEMENT¹ BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE ARAB REPUBLIC OF EGYPT FOR THE SALE OF AGRICULTURAL COMMODITIES

The Government of the United States of America and the Government of the Arab Republic of Egypt 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 June 7, 1974,² together with the following Part II:

PART II. PARTICULAR PROVISIONS

Item I. COMMODITY TABLE:

<u>Commodity</u>	<u>Supply Period (U.S. FY)</u>	<u>Approximate Quantity (MT)</u>	<u>Maximum Export Market Value (Dols. Million)</u>
Wheat	1982	600,000	105.0
Wheat Flour (Grain Equivalent Basis)	1982	500,000	95.0
TOTAL		1,100,000	200.0

Item II. PAYMENT TERMS: Convertible Local Currency
Credit (CLCC)

- A. Initial Payment - Five (5) percent.
- B. Currency Use Payment - None.
- C. Number of Installment Payments - Thirty-one (31).
- D. Amount of Each Installment Payment -
Approximately equal annual amounts.

¹ Came into force on 21 December 1981 by signature.

² See "Agreement between the Government of the United States of America and the Government of the Arab Republic of Egypt for sales of agricultural commodities", United Nations, *Treaty Series*, vol. 953, p. 313.

- E. Due Date of First Installment Payment -
Ten (10) years after the date of last delivery
of commodities in each calendar year.
- F. Initial Interest Rate - Two (2) percent.
- G. Continuing Interest Rate - Three (3) percent.

Item III. USUAL MARKETING TABLE:

<u>Commodity</u>	<u>Import Period (U.S. FY)</u>	<u>Usual Marketing Requirement (MT)</u>
Wheat/Wheat Flour (Grain Equivalent Basis)	1982	2.5 million

Item IV. EXPORT LIMITATIONS:

- A. Export Limitation Period:
The export limitation period shall be U.S.
fiscal year 1982, or any subsequent U.S. fiscal
year during which commodities financed under
this agreement are being imported or utilized.
- 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: wheat, wheat flour, rolled
wheat, semolina, farina, or bulgur (or the same
product under a different name).

Item V. SELF-HELP MEASURES:

- A. The Government of Egypt agrees to undertake self-
help measures to improve the production, storage,
and distribution of agricultural commodities.
The following self-help measures shall be imple-

mented to contribute directly to development progress in poor rural areas and enable the poor to participate in increasing agricultural production through small farm agriculture.

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

1. Agricultural Policy and Planning

a. Review pricing policies for agricultural inputs. This review should serve as the basis for implementing a rational system of input allocation and use.

b. Continue to review the subsidies on consumer prices for food items. This review should serve as a basis for implementing a subsidy policy that protects primarily the lower income groups.

c. Increase incentives for domestic food crop production. The GOE will continue to rationalize input and consumer prices with a view toward establishing prices that will provide adequate incentive to producers. This process will include the continuation of procurement of wheat from farmers by the GOE. The GOE will conduct an analysis during FY 1982 to

determine the need to initiate a similar program for corn. The procurement prices will be set with the objective of reducing the differences between the domestic and world prices of wheat. In assessing supply management, the government will give procurement priority to the full utilization of domestically produced crops. Food imports will be distributed in a manner that will minimize the disincentive to domestic production.

2. Agricultural Research and Extension

Examine the organization and management of agricultural research as it relates to increased production through the extension process and to strengthen Egyptian agricultural research efforts as noted in the Memorandum of Understanding signed November 1979. The review will:

- a. Identify constraints for effectively managing the agricultural research/extension/dissemination system;
- b. Develop procedures which provide the necessary services, create incentives, and demonstrate research results effectively to individual farmers;
- c. Identify which new technologies, beneficial to Egypt, are available inter-

- nationally for potential adoption by Egypt's farmers;
- d. Evaluate results from previous Egyptian agricultural research projects and disseminate those mostly likely to support increased small farmer productivity; and
 - e. Develop priorities for funding of applied research project activities.
3. **Water Conservation and On-Farm Management**
Assess the structural and institutional options for promoting the conservation and better on-farm management of water, e.g. pricing water so that water constitutes an input cost.
4. **Land Investment and Operation and Maintenance**
Continue an assessment of agricultural sector investment levels with particular focus on investment level targets for improvement of presently cultivated agricultural lands, including previously reclaimed land as well as projects for the development of new reclaimed lands.
5. The GOE will take the following steps to permit private importers to import 400,000 MT of fertilizer:
- a. Make foreign exchange available to them at the official exchange rate, and

b. Allocate local currency which permits sale of the fertilizer at 150 percent of full subsidy.

6. Continue discussions of ways to improve the climate for U.S. private investment in Egyptian agri-business sector.

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

- A. The proceeds accruing to the Government of **Egypt** for the sale of commodities financed under **this** agreement will be used for financing the self-help measures set forth in the agreement, and for development in the agricultural and rural development sector, in a manner designed to increase the access of the poor in the recipient country to an adequate, nutritious, and stable food supply.
- 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 Cairo, in duplicate, the day of 21 December, 1981.

For the Government
of the United States of America:

By: *[Signed]*

Name: ALFRED L. ATHERTON, Jr.

Title: American Ambassador

For the Government
of the Arab Republic of Egypt:

By: *[Signed]*

Name: AHMED AHMED NOUH

Title: Minister of Supply
and Home Trade

In acknowledgement of the foregoing agreement, representatives of the implementing organizations have subscribed their names:

By: *[Signed]*

Name: ABDEL RAZZAK ABDEL MEGUID

Title: Deputy Prime Minister for Economic
and Financial Affairs and Minister
of Economy, Finance and Planning

By: *[Signed]*

Name: MAHMOUD MOHAMED DAWOOD

Title: Minister of State for Agriculture
and Food Security

AGREED MINUTES OF THE NEGOTIATIONS OF THE U.S. FISCAL YEAR 1982 AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE ARAB REPUBLIC OF EGYPT UNDER THE PROVISIONS OF TITLE I, PUBLIC LAW 480, OF THE UNITED STATES OF AMERICA

1. Commodity Composition. The proposed commodity composition, as shown in Part II, Item I of the proposed agreement, provides for 1.1 million metric tons of wheat and wheat flour on a grain equivalent basis having an export market value of \$200 million. This proposed agreement provides for the total U.S. Fiscal Year 1982 GOE allocation for wheat flour. In subsequent amendments the Title III allocation and the balance of the Title I allocation, as applicable, will be added in order to provide for the entire program level set at \$275 million.

It was pointed out that Part I, Article I(E) of the proposed agreement provides that 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 contained in Part II of the proposed agreement, the quantity to be financed under the proposed agreement will be less than the approximate maximum quantity set forth in Part II. Should commodity prices decrease, however, the quantities to be financed may be limited to those specified in Part II.

2. Commodity Deliveries. In order to expedite implementation of the proposed agreement after signature, the GOE representatives were encouraged during the negotiations to make an early request, through their Embassy in Washington, D.C., for purchase authorizations (PA's). The GOE repre-

representatives were also reminded of the need to open Letters of Credit promptly for both the commodity and the freight after PA's are issued, and commodities purchased and vessels booked. The supply period for the proposed agreement is the U.S. fiscal year 1982.

3. Payment Terms. The proposed payment terms are shown in Part II, Item II of the proposed agreement. They are the same as in the previous year's agreement (FY 1981).

4. Usual Marketing Requirements (UMR's). Part II, Item III of the proposed agreement provides for a UMR of 2.5 million metric tons of wheat and wheat flour (grain equivalent basis) during U.S. fiscal year 1982. This is the same as in the previous year's agreement (FY 1981). The GOE representatives were reminded that Section 103 (O) of the PL 480 legislation requires that the U.S. trade be provided the opportunity to compete for any increase in commercial purchases of wheat flour during the coming year.

5. Export Limitations. The provisions shown in Part II, Item IV, Paragraph A and B of the proposed agreement are standard.

6. Self-Help Measures and Use of Proceeds. Section 190(A) of PL 480 requires that, before entering into agreements for the sale of commodities, consideration be given to the extent to which the recipient country is undertaking self-help measures to increase per capita food production and improve the means for storage and distribution of agricultural commodities. Furthermore, it is to take into particular account the extent to which they are being carried out

in ways designed 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.

Section 106(B) provides that in negotiating agreements, emphasis shall be placed on the use of such proceeds for purposes which directly improve the lives of the poorest of the recipient countries' people and their capacity to participate in the development of their country. Greatest emphasis is required to be placed on the use of such proceeds to carry out programs of agricultural development, rural development, nutritional and population planning in accordance with Section 109 of PL 480 and which programs are likely to achieve the policy objectives of Sections 103 and 104, of the Foreign Assistance Act of 1961 as amended.

Part II, Item V of the proposed agreement specifies the self-help measures to be carried out by the recipient country which may utilize the local currencies accruing to the recipient country from the sale of agricultural commodities financed under the agreement. The GOE representatives agreed during the negotiations to provide a quarterly report on the progress of the wheat procurement program and make sufficient funds available to assure that producers receive published procurement prices on a timely basis.

7. Compliance and Reporting Requirements. The GOE representatives declared they are well aware of their responsibilities for submission of timely reports on compliance, shipping and arrival information (ADP sheets), self-help and use of sales

proceeds, as required under the provisions of the agreement. The annual self-help report for 1982, normally required on December 1, 1982, will be submitted in September 1982 prior to the consideration of a Title I agreement for U.S. fiscal year 1983. It was agreed further that the annual self-help report will be accompanied by the receipt and expenditure report certified by the appropriate GOE audit authority.

8. Operational Considerations. The following operational considerations were discussed during the negotiations:

- A) Purchase Authorizations. Information to expedite the PA issuance will be provided to the USDA prior to the signing of the agreement, including: 1) commodity specifications, 2) proposed contracting and delivery schedules, and 3) names and addresses of banks in Egypt and U.S. commercial banks through which letters of credit for commodity ocean freight will be opened. The GOE representatives gave assurance that appropriate GOE authorities are prepared to make prompt transfer of funds to cover initial payment and the ocean freight costs on commodities purchased under the agreement.
- B) Bellmon Determination. The GOE representatives provided information needed to update the Bellmon Determination.
- C) Instructions and Authority. The GOE representatives gave assurances that arrangements have been made to relay to its Embassy in Washington, D.C. all instructions, information, and authority necessary to ensure timely implementation of the agreement, including: 1) information outlined in paragraph A above; 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 the Program Operations Division, Export Credits, Foreign Agricultural Service, USDA (Telephone 202-447-5780), for further assistance in implementing the agreement.

- D) Regulatory/Legislative Requirements. The GOE representatives were 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 (IFB's) 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 IFB's must be consistent with open, competitive, and responsive bid procedures; 2) terms of all IFB's (including IFB's for ocean freight) must be approved by the General Sales Manager, FAS/USDA, prior to issuance; and 3) if the GOE nominates a purchasing and/or shipping agent to procure commodities or arrange ocean transportation under the agreement, the GOE must notify the General Sales Manager, FAS/USDA, in writing, of such nomination and attach a copy of the proposed agency agreement. All purchasing and shipping agents must be approved by the General Sales Manager, FAS/USDA in accordance with regulatory standards designed to eliminate certain potential conflicts of interest.

E) Letters of Credit. The GOE representatives were informed during the negotiations that commodity and ocean freight suppliers may refuse to load vessels when accepted letters of credit for commodities or ocean freight are not available at the time of loading. This can result in costly claims by vessel owners for demurrage and by commodity suppliers for carrying charges.

With particular regard to ocean freight, GOE representatives were advised that the GOE must open letters of credit for 100 percent of the ocean freight not less than 48 hours prior to the vessel presentation for loading, providing for sight payment or acceptance of a draft in U.S. dollars in favor of the ocean transportation supplier on the basis of tonnage and rates specified in the applicable charter party or booking note.

It was also pointed out to the GOE representatives that where the ocean freight contract provides for demurrage/despatch, 90 percent of the ocean freight must be paid promptly on arrival of the cargo. The remaining 10 percent, less despatch if any, should be paid promptly to the carrier upon completion of the laytime statement. Claims against the carrier for damaged or lost cargo should be pursued through normal channels and not be deducted from the ocean freight.

The GOE representatives gave assurances that appropriate measures will be taken to ensure that operable and irrevocable letters of credit for both

commodities and freight will be issued as soon as possible after commodities are purchased and ocean freight booked.

- F) Performance Bonds. The GOE representatives were advised during the negotiations that a standard performance bond requirement that will be fair to, and provide adequate protection for, both buyer and seller will be incorporated in all recipient country IFB's before purchasing begins under the U.S. fiscal year 1982 program. The USDA is developing the appropriate language for this requirement and will coordinate its implementation with the GOE purchasing officials in Washington, D.C.
- G) Establishing Claims. The GOE representatives agreed during the negotiations to develop and implement procedures for accurate identification of commodity loss and damage at the discharge port for the purpose of establishing claims in a timely manner.
- H) Priority Berthing and Unloading. The GOE representatives reaffirmed during negotiations that the GOE would guarantee priority berthing and discharge at all Egyptian ports for U.S. flag vessels carrying U.S. agricultural commodities under the PL 480 program.
- I) Identification and Publicity. The GOE representatives were reminded that Part I, Article III(1) of the Title I agreement provides that the government of the importing country shall undertake such measures as may be mutually agreed prior to their delivery, for identification and publicity of commodities to be received. This is as provided for in Section 103(I) of the PL 480 legislation.

9. Annex A. A letter dated December 3, 1981 from the U.S. Chief of Mission to Egypt, Alfred L. Atherton, Jr. to His Excellency, Ahmed Ahmed Nouh, Minister of Supply and Home Trade,^[1] was reviewed and is made part of these minutes.
10. Annex B. A draft of the proposed agreement^[1] was reviewed and is made part of these minutes.

DONE in Cairo this 16th day of December, 1981.

Representing the Government
of the United States of America:

[Signed]

VERLE E. LANIER
Agricultural Counselor
American Embassy
5, Sharia Latin America
Garden City
Cairo

Representing the Government
of the Arab Republic of Egypt:

[Signed]

16-12-1981

IBRAHIM DARWISH
Deputy Chairman
General Authority
for Supply Commodities
Ministry of Supply and Home Trade
24, Gomhouria Street
Cairo

In acknowledgment of the foregoing minutes, representatives of the implementing organizations have subscribed their names:

By: [Signed]

Name: YOUSSEF WALLY

Title: Chairman
Agricultural Development Committee
for Foreign Aid
Foreign Relations Department
Ministry of Agriculture

By: [Signed] 12-16-1981

Name: FOUAD ISKANDAR

Title: Senior Under Secretary of State
for Economic Cooperation
Ministry of Economy

^[1] Not printed.

EXCHANGE OF NOTES CONSTITUTING AN AGREEMENT¹
AMENDING THE AGREEMENT OF 21 DECEMBER 1981 BE-
TWEEN THE GOVERNMENT OF THE UNITED STATES OF
AMERICA AND THE GOVERNMENT OF THE ARAB REPUB-
LIC OF EGYPT FOR THE SALE OF AGRICULTURAL COM-
MODITIES²

I

DEPARTMENT OF STATE
WASHINGTON

Excellency:

I have the honor to propose that the Government of the United States and the Government of the Arab Republic of Egypt agree to the extension of additional Public Law 480 commodity sales financing amounting to \$75.0 million, raising the total Title I/III program level for Egypt to \$275 million. This additional amount is to be programmed as follows:

- (a) In the agricultural commodities agreement between our two governments signed December 21, 1981, the following changes should be made:
 - (1) In Part II, Item I, Commodity Table, and under appropriate column headings, (a) on the line entitled "Wheat", delete "600,000" "105.0", and insert "850,000" "150.0", (b) on line entitled "Wheat Flour (grain equivalent basis)", delete "95.0" and insert "100.0", and (c) on line entitled "Total" delete "1,100,000" "200.0", and insert "1,350,000" "250.0".

¹ Came into force on 5 February 1982, the date of the note in reply, in accordance with the provisions of the said notes.

² See p. 64 of this volume.

- (2) In Part II, Item II, Payment Terms, on line "B. Currency Use Payment" delete "none" and insert "Ten (10) percent of the amount financed by the government of the exporting country under the first amendment and any subsequent amendments—for 104(a) purposes".
- (b) In addition to the new financing indicated in paragraph (a) above, the Government of the United States will make available \$25.0 million, to be used either in connection with the Food for Development Program or by addition to the agreement of December 21, 1981, as may be agreed upon by the two governments.

If the foregoing is acceptable to your government, I have the honor to propose that this note and your reply thereto constitute agreement between our two governments effective the date of your note in reply.

Accept, Excellency, the renewed assurances of my highest consideration.

5 February 1982

For the Secretary of State:
[Signed — Signé]¹

I confirm the above understandings.

[Signed — Signé]²
For JOHN R. BLOCK
Secretary of Agriculture

His Excellency
Dr. Ashraf A. Ghorbal
Ambassador of Egypt

¹ Signed by Alfred L. Atherton, Jr. — Signé par Alfred L. Atherton, Jr.

² Signed by Richard E. Lyng — Signé par Richard E. Lyng.

II

MINISTRY OF ECONOMY
ECONOMIC COOPERATION WITH U.S.A.
CAIRO, EGYPT

February 5, 1982

Excellency:

I have the honor to acknowledge receipt of your Note of February 5, 1982, which reads as follows:

[*See note I*]

I have the honor to inform Your Excellency that the terms of the foregoing Note are acceptable to the Government of the Arab Republic of Egypt and that the Government of the Arab Republic of Egypt considers Your Excellency's Note and the present reply as constituting an Agreement between our two Governments on this subject to enter into force on the date of this reply.

Accept, Excellency, the assurance of my highest consideration.

[*Signed*]

M. A. FATTAH IBRAHIM

Deputy Prime Minister
for Economic and Financial
Affairs

In witness:

[*Signed — Signé*]¹

Minister of Economy
and Foreign Trade,

[*Signed — Signé*]²

His Excellency
Alexander M. Haig
Secretary of State
United States of America

¹ Signed by Ashraf Ghorbal — Signé par Ashraf Ghorbal.

² Signed by Fouad Hashem — Signé par Fouad Hashem.