

No. 13619

**UNITED STATES OF AMERICA
and
PHILIPPINES**

**Agreement for sales of agricultural commodities (with
agreed minutes). Signed at Manila on 30 April 1974**

Authentic text: English.

Registered by the United States of America on 4 November 1974.

**ÉTATS-UNIS D'AMÉRIQUE
et
PHILIPPINES**

**Accord relatif à la vente de produits agricoles (avec procès-
verbal approuvé). Signé à Manille le 30 avril 1974**

Texte authentique : anglais.

Enregistré par les États-Unis d'Amérique le 4 novembre 1974.

AGREEMENT¹ BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE REPUBLIC OF THE PHILIPPINES FOR SALES OF AGRICULTURAL COMMODITIES

The Government of the United States of America and the Government of the Republic of the Philippines have agreed to the sale of agricultural commodities specified below. This Agreement shall consist of the preamble, parts I and III of the March 24, 1970, Agreement,² the Convertible Local Currency Credit Annex of the April 16, 1971, Agreement,³ and the following part II:

PART II

PARTICULAR PROVISIONS

Item I. Commodity Table:

Commodity	Supply period (United States fiscal year)	Approximate maximum quantity	Maximum export market value (million)
Tobacco	1974	1,500 M.T.	\$3.6
		TOTAL	\$3.6

Item II. Payment Terms:

Convertible Local Currency Credit

1. Initial Payment — 5 percent
2. Currency Use Payment — 20 percent of the dollar amount of the financing provided by the Government of the exporting country under this Agreement is payable upon demand by the Government of the exporting country in amounts as it may determine and in accordance with paragraph 6 of the Convertible Local Currency Credit Annex applicable to this Agreement. No requests for payment will be made by the Government of the exporting country prior to the first disbursement by the Commodity Credit Corporation under this Agreement.
3. Number of Installment Payments — 16
4. Amount of Each Installment Payment — Approximately equal annual amounts
5. Due Date of First Installment Payment — Five years from date of last delivery in any calendar year
6. Initial Interest Rate — 2 percent
7. Continuing Interest Rate — 3 percent

¹ Came into force on 30 April 1974 by signature, in accordance with part III (B).

² United Nations, *Treaty Series*, vol. 745, p. 151.

³ *Ibid.*, vol. 792, p. 321.

Item III. Usual Marketing Tables:

<i>Commodity</i>	<i>Import period (United States fiscal year)</i>	<i>Usual marketing requirement</i>
Tobacco.....	1974	2,350 M.T. of which at least 2,000 M.T. shall be imported from the U.S.

Item IV. Export Limitations:

None.

Item V. Self-Help:

The Government of the Philippines continues to accord high priority to accelerate agricultural and rural development, to expand employment opportunities, and to increase income for rural dwellers, particularly in designated land reform areas. Among the principal areas to be emphasized are the following:

- A. The Government of the Philippines will make every effort to insure that credit needs of small farmers, particularly those newly transformed into landowners through land reform, are satisfied on economic terms and through readily available sources and facilities. Short-term as well as medium- and long-term credit will be provided at reasonable interest rates.
- B. The Government of the Philippines will focus priority attention on the establishment of a rational and comprehensive water development policy. The policy will insure that major efforts of Government agencies are fully coordinated and directed to meeting the needs of the agricultural sector to the fullest extent and in the most efficient manner possible. Within this overall context the Government of the Philippines intends to give adequate attention to irrigation needs to insure success of the new multicropping emphasis outlined in the agricultural four-year plan.
- C. The Government of the Philippines will work on upgrading adaptive agricultural research capabilities and on the development of new packages of technology for food and feedgrain crops other than rice.
- D. The Government of the Philippines will give increased attention to the improvement and development of production, marketing, and distribution systems for rice, feedgrains, fish, meat, and meat products.
- E. The Government of the Philippines will give continuing and expanded attention and support to ongoing population programs. This effort will include provision of substantial local currency support and other assistance to, and encouragement of initiatives by, non-Government organizations and Government of the Philippines agencies, and implementation of policies contained in the 1971 Philippine Population Law, as amended by Presidential Decree No. 79.
- F. The Government of the Philippines will allocate an agreed percentage of the proceeds of this Agreement for the implementation of a program designed to bring electrification to rural areas of the Philippines. In order to facilitate such a program, the Government of the Philippines has developed a Comprehensive National Electrification Plan which delineates the requirements and programs for the power sector including generation, transmission, and

distribution projects along with the proposed financial plan for implementing this program.

- G. The Government of the Philippines will continue to conduct such studies, surveys, and pilot projects as necessary to assist with a sound nationwide land reform program. This will include technical assistance and support to farmers' cooperatives.
- H. The Government of the Philippines will undertake and support as possible, the development of viable small and medium industries in rural areas, particularly in provinces participating in USAID-assisted provincial development and rural electrification programs.

Item VI. Ocean Transportation:

The Government of the exporting country shall bear the cost of ocean freight differential for commodities it requires to be carried in United States flag vessels but, notwithstanding the provisions of paragraph 1 of the Convertible Local Currency Credit Annex, it shall not finance the balance of the cost of ocean transportation of such commodities.

Item VII. Economic Development Purposes for Which Proceeds Accruing to Importing Country Are To Be Used:

The proceeds accruing to the importing country from the sale of agricultural commodities financed under this Agreement will be used for financing the self-help measures set forth in item V and for development purposes in the rural sector as identified in the Four-Year (1973–1977) National Economic Development plan of the Philippines.

Item VIII. Other Provisions:

A. The currency use payment under item II, 2, of this part II 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 value of the currency use payment has been offset.

B. Substitute the following for paragraph 4 of the Convertible Local Currency Credit Annex:

“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 uses 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 payment, if any, made by the Government of the importing country pursuant to the proviso in section 103(b) of the Act (such payment is herein called ‘the currency use payment’). 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 procedures, 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 the case of expenditures the budget sector in which they were used.”

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

DONE at Manila, in duplicate, this 30th day of April 1974.

For the Government
of the United States of America:

W. H. SULLIVAN

For the Government
of the Republic of the Philippines:

CARLOS P. ROMULO

AGREED MINUTES

PL-480 TITLE I NEGOTIATIONS

Place: Conference Room
Central Bank
Roxas Boulevard, Manila

Date: April 25, 1974

For the Government of the United States of America

Mr. Theodore A. Wahl, First Secretary of U.S. Embassy, Chairman

Mr. Arthur H. Boehme, Jr., Program Officer, USAID Mission to the Philippines, Member

Mr. Raymond Cohen, Deputy Program Officer, USAID Mission to the Philippines, Alternate

Mr. Robert B. Evans, Agricultural Attache, U.S. Embassy, Member

Mr. John T. Hopkins, Assistant Agricultural Attache, U.S. Embassy, Alternate

For the Government of the Republic of the Philippines

Mrs. Angelina Z. Tiangco, Chairman, Central Bank of the Philippines

Mr. Sergio A. Barrera, Member

Mr. Constantino L. Alvarado, Alternate, Department of Foreign Affairs

Mr. Bienvenido Villaricencio, Member, National Economic and Development Authority

Mrs. Alicia Ll. Reyes, Member, Development Bank of the Philippines

Mr. Victor Macalincag, Member, Representative of the Secretary of Finance

Text and Terms

The two Panels agreed on the text of the Agreement to be signed at 10:30 A.M. on April 30, 1974.

The terms of the Agreement, mutually decided upon, are reflected in the written Agreement and the following documents which are an integral part of the Agreement:

- (a) the Preamble, parts I and III of the March 24, 1970 Agreement;
- (b) the Convertible Local Currency Credit Annex of the April 16, 1971, Agreement.

The two Panels also agreed that:

- (a) the March 23, 1970, Self-Help Minute of Understanding,* and
 - (b) the termination clause of the March 24, 1970, Agreement,
- apply to this Agreement as well.

Shipment of Commodities

The U.S. Panel emphasized the need to obtain a purchase authorization immediately after the Agreement is signed for the 1,500 metric tons of tobacco and to arrange for their shipment at the earliest possible moment, with loading no later than midnight of June 30, 1974.

The Philippine Panel called attention to the problem of meeting the June 30 loading deadline if bottoms are unavailable. The U.S. Panel pointed out that in response to an earlier inquiry by the Embassy the U.S. Government agencies concerned had stated categorically that the supply period could not be extended beyond June 30. However, the question of a possible *force majeure* extension if bottoms are demonstrably unavailable had subsequently been raised with Washington, and the response when received will be communicated immediately to the Philippine Government.

Currency Use Payment

The Philippine Panel requested that the U.S. Government follow the procedure for past Currency Use Payments, i.e., making the payment in two installments, on May 1, 1975, and on December 31, 1975, if the May 4, 1972 Agreement¹ pattern were applied. The U.S. Panel agreed to forward this request to Washington.

Usual Marketing Requirements

It was agreed that the UMR for tobacco specified in the Agreement is acceptable to the Government of the Philippines and that the UMR is presumed to be the minimum quantity that would be imported through normal channels in the absence of a PL-480, Title I, sales agreement and, therefore, must be imported commercially even though the full allotment under title I is not utilized. It was further agreed that the purchases against the UMR are to be financed by the Philippines from its own resources.

It was noted that according to data furnished by NEDA the Philippines had already met the UMR for FY 1974. However, since delivery of the tobacco will undoubtedly be in FY 1975, the same UMR must be met in FY 1975 (see Part I, article III, A, 1).

Right to Cancel Purchase Authorizations

It was agreed that the United States Government, on prior notice to the Government of the Philippines, may cancel the uncommitted balance of a purchase authorization or refuse to issue a purchase authorization at any time that a commodity is determined no longer to be available for PL-480 programs, even though it is included in the commodity list of the Agreement.

* Not printed.

¹ United Nations, *Treaty Series*, vol. 846, p. 47.

Self-Help

The Government of the Philippines understands that in order to fulfill requirements of PL-480 legislation it is required to report annually by December 1 on progress made in carrying out self-help measures included in the Agreement and on any other related measures which contribute to improvement of agricultural production.

The Philippine Panel stated the intention of the Philippine Government to limit the use of peso proceeds under this Agreement to financing self-help measures described in paragraphs E and F under item V (i.e., population programs and rural electrification) and such other projects as may be indicated by the Philippine Government which will accelerate agricultural and rural development. The two Panels agreed that the wording in paragraph F, "allocate an agreed percentage of the proceeds of this Agreement", relates to the program for financing rural electrification agreed between the two Governments and does not alter the provisions of items VII and VIII regarding use by the Philippine Government of the peso proceeds under this Agreement.

The two Panels further agreed that the two Governments will exchange information and views on uses to which the Philippine Government intends to put the peso proceeds under the Agreement. The Philippine Panel stated that the peso proceeds would continue to be deposited in a "PL-480 Special Account" and disbursed in accordance with budget appropriations.

Compliance Reporting Requirements

It was agreed that the Government of the Philippines would provide compliance data, as specified in part I, article III, D, 2, 3 and 4, of the Agreement, 15 days after the close of each calendar quarter, i.e., by the 15th of October, January, April and July. The Government of the Philippines agrees to return completed "arrival and shipping information" (ADP sheets) with appropriate notations certifying receipt of all commodities as soon as possible, but not later than 30 days from the date of unloading in the importing country or 30 days from the receipt of the ADP sheets, whichever is later.

Ocean Freight (Differential)

The United States Panel pointed out that the United States Government will pay only the "differential" between United States and foreign flag rates on the 50 percent required to be shipped in United States flag vessels. It was noted that the differentials are computed on the basis of third flag freight rates which reflect the actual freight market conditions at a particular time, and that a differential is computed individually for each United States flag vessel.

World Trade Considerations

It was understood by the Government of the Philippines that violation of Part I, article III, A, 1, 2 and 3, may halt purchase authorizations, prejudice possible new agreements, and result in a dollar refund.

Fair Share

The U.S. Panel emphasized that PL-480 legislation requires the President to take steps to assure that the U.S. obtains a fair share of any increase in commercial purchases of agricultural commodities by the purchasing country. Thus the U.S. should benefit equitably from the development of new commercial markets in countries receiving concessional PL-480 commodities.

Identification and Publicity

It was agreed that the Government of the Philippines would publicize widely that the commodities financed under the Agreement are being provided on a concessional basis.

Pursuant to U.S. legislative requirements for publicity, the Philippine Government agrees, in addition to publicity given to signature of the Agreement, to note appropriately the arrival in the Philippines of commodity shipments under this Agreement.

Cost and Value Figures

It was noted and agreed that the commodity commitment in the Agreement is in terms of dollar value and not quantity and that the export market value represents the total amount for which purchase authorizations would be issued.

Tobacco Import Rights

In response to an inquiry concerning import rights for tobacco under the Philippine law requiring four tobacco export units for one import unit, the Philippine Panel gave assurances that the necessary import rights were available to cover the 1,500 MT to be imported under this Agreement.

Other Commodities Sought by Philippine Government

The Philippine Panel expressed the desire of the Philippine Government that other more essential commodities be made available under the PL-480 program, such as feed-grains and rice. The U.S. Panel said this request would be forwarded to Washington but noted the unlikelihood that other commodities will be available in view of the current commercial market for these commodities.

[Signed]

THEODORE A. WAHL
Chairman
United States Panel

[Signed]

ANGELINA Z. TIANGCO
Chairman
Philippine Panel