

*original del Convenio sobre la quina*  
*Oficio N° 2-7-51 M. de Salud Publica.*

OCT 26 1942

AGREEMENT

The parties intend this agreement to be a concrete implementation of the Resolutions of the Final Act of the Third Meeting of Ministers of Foreign Affairs of the American Republics and a means of furthering the effectiveness of Resolution II of the Rio de Janeiro Conference wherein the Governments of Peru and the United States undertook to collaborate with the other American Republics to the fullest degree possible in the mobilization of their economic resources, with the special objective of increasing the production of those strategic materials essential to the defense of the Western Hemisphere against armed aggression and for the maintenance of the economies of Peru and the other American Republics. The parties hereto have designed this agreement to encourage an expansion of the available supplies of cinchona bark and to encourage the establishment of permanent cinchona plantations and cinchona bark processing plants in Peru. The parties recognize the desirability of establishing an independent source of supply of cinchona bark in the Western Hemisphere and assert their belief that the provisions of this agreement will fulfil the essential purposes for which it is designed.

THIS AGREEMENT, made and entered into as of this day of October nineteenth, 1942, by and between DEFENSE SUPPLIES CORPORATION, a corporation existing under the laws of the United States of America, acting as an agency of the Government of the United States of America (hereinafter called "Supplies"), party of the first part, and the REPUBLIC OF PERU (hereinafter called "Peru") and COMISION PERMANENTE DE LA QUINA (hereinafter called "Commission"), parties  
of

of the second part.

WITNESSETH: That the parties hereto, for and in consideration of their mutual undertakings hereinafter set forth, hereby covenant and agree as follows:

1. (a) Supplies agrees to buy, either directly or through its nominees, from sellers in Peru, and Peru agrees that it will cause to be sold to Supplies or its nominees, at the following prices, all of the cinchona bark containing the percentages of alkaloids or quinine hereinbelow specified and all of the products derived from cinchona bark, which are collected or produced in Peru during the term of this agreement (less such an amount thereof as is required for essential anti-malarial uses in Peru during said term, which is estimated to be four and one half short tons of quinine sulphate, USP XII, or its equivalent, per annum):

- (i) Quinine sulphate, USP XII, \$0.805 per ounce;
- (ii) Cinchonine sulphate, NF VII, \$0.555 per ounce;
- (iii) Cinchonidine sulphate, NF VII, \$0.665 per ounce;
- (iv) Quinidine sulphate, USP XII, \$0.845 per ounce;
- (v) Totaquine, USP XII, \$0.505 per ounce
- (vi) Cinchona bark containing either 3 per cent or more of the crystallizable alkaloids of cinchona--quinine, cinchonine, cinchonidine, and quinidine--or 3 per cent or more of quinine calculated as sulphate, USP X, to the extent that cinchona bark processing plants in Peru do not desire, or do not have sufficient capacity, to process such bark, on the basis of 40 cents an ounce for quinine calculated as sulphate, USP X, contained in bark which contains 4 per cent or more of such quinine, 35 cents

cents an ounce for quinine calculated as sulphate, USP X, contained in bark which contains from 3 to 4 per cent of such quinine, provided that if the bark contains less than 3 per cent of such quinine, the following prices shall be paid: 12 cents a pound for bark containing from 3 to 4 per cent of the crystallizable alkaloids of cinchona--quinine, cinchonine, cinchonidine, and quinidine--; 13 cents a pound for bark containing from 4 to 5 per cent of such alkaloids; 14 cents a pound for bark containing from 5 to 6 per cent of such alkaloids; and 15 cents a pound for bark containing 6 per cent or more of such alkaloids.

(vii) The alkaloid mass remaining after extraction of quinine from cinchona bark by cinchona bark processing plants in Peru, in the event such plants deem it impracticable to remove the cinchonine, cinchonidine, and quinidine contained in the mass, at a price equal to that which seller would have received from Supplies for these alkaloids had seller extracted them from the mass and sold them to Supplies pursuant to this agreement, less, however, the actual cost to Supplies of finally extracting those alkaloids from the mass.

(b) The purchase prices specified in subparagraph (a) of this paragraph are for goods packaged in suitable containers in accordance with sound commercial practice, delivered

livered f.o.b. ocean-going steamer, Peruvian ocean ports, and are based upon certified landed net weights at a United States continental port of discharge as certified by a licensed weigher, and a final analysis in the United States.

(c) Supplies may at its option purchase the products to be sold hereunder at inland locations, and for such purchases, if any, Supplies will pay the above prices reduced by an appropriate allowance to cover costs of handling, inland transportation from point of purchase to on-board ocean-going steamer, Peruvian port, and other charges which, under the terms of this agreement, are for the account of the seller.

(d) Supplies is hereby granted an option to buy all cinchona bark containing less than 3 per cent of the crystallizable alkaloids of cinchona, or containing less than 3 per cent of quinine calculated as sulphate, USP X, which is collected or produced in Peru during the balance of the term of this agreement after the giving of notice of the exercise of said option, provided, that cinchona bark processing plants in Peru do not desire, or do not have sufficient capacity, to process such bark. Said option shall be exercised by giving notice in writing to Peru, and the price to be paid for such cinchona bark shall be negotiated at the time of the exercise of said option.

(e) The sellers of the commodities to be sold hereunder will pay all excises, dues, imposts, fees, charges, and taxes, including export duties or taxes, if any, levied or imposed upon the commodities while in Peru, or on account of, or in connection with their collection, production,  
transportation

transportation or sale in, or exportation from, Peru.

2. (a) Eighty per cent of the purchase price of the products to be purchased hereunder shall be paid to the seller against shipping documents, including bills of lading endorsed "on board" ocean-going steamer at the designated Peruvian ocean port destined for a United States continental port of entry; provided, however, that in the event shipping satisfactory to Supplies is not available within thirty days after notice from the seller to Supplies of the availability of the product at port for shipment, the seller will store the product at the port in a suitable place to be designated by Supplies, and Supplies will arrange for the payment of eighty per cent of the purchase price against warehouse receipts or other documents of title (in lieu of usual bills of lading), satisfactory to Supplies or its authorized representative. The remaining twenty per cent of the purchase price, less all charges from dock to on board ship and less all excises, dues, fees, charges, imposts, or taxes mentioned in subparagraph (e) of paragraph one hereof, if any, paid by Supplies and not theretofore deducted, will be paid within thirty days after the arrival of the product in any United States continental port of entry and inspection and approval of quality and quantity. If such products are shipped on ocean vessels from Peruvian port but do not reach a port of entry in the United States within ninety days after vessel clears from Peruvian port, final settlement will be made upon expiration of such ninety-day period.

(b) In the event that products stored as provided in  
subparagraph

subparagraph (a) of this paragraph are not placed on board ocean-going vessel within four months after the date of delivery to Supplies of the warehouse receipts or warrants representing such products, the remaining twenty per cent of the purchase price, less all unpaid excises, dues, fees, charges, imposts, or taxes mentioned in subparagraph (e) of paragraph one hereof and charges for loading on board ship in effect at the date of payment, will be paid at the end of such four-month period. If such products are shipped within the four-month period, payment of the remaining twenty per cent will be made according to the terms of subparagraph (a) of this paragraph.

3. (a) Supplies agrees to establish and maintain in Peru an agency (hereinafter called the "Agency") which will be authorized to represent Supplies in matters pertaining to the development of the cinchona bark resources of Peru and the purchase of commodities to be sold to Supplies hereunder. Supplies agrees that the Agency will be authorized and directed (i) to purchase, at points other than f.o.b. ocean-going vessel and in its discretion to make full and final payment for, the commodities to be sold to Supplies hereunder at prices as specified in subparagraph (c) of paragraph one hereof; (ii) to make or cause a survey to be made of Peruvian cinchona bark producing areas; (iii) to undertake extensive cinchona bark collection programs, and to employ whatever personnel and purchase whatever materials and supplies may be required therefor, and to do all things necessary for the successful prosecution of such programs; (iv) to furnish technicians and specialists who shall advise and assist Peru and the Commission, and the processors  
of

of cinchona bark in Peru, as to problems involved in producing, collecting, testing, and handling cinchona bark and as to methods and procedures for increasing the efficiency and production of Peruvian cinchona bark processing plants; (v) to make or cause to be made experimental plantings of cinchona trees in Peru and to enlarge such plantings if such experiments prove successful; (vi) to collaborate in the establishment of a State quinine laboratory in Peru in the event it is determined that establishment of such a laboratory would be in the best interests of the parties hereto; and (vii) to spend such sums, but not less than \$300,000, as Supplies deems necessary or desirable to increase and develop the production in Peru of cinchona bark and anti-malarial products derived therefrom. In performing these functions the Agency will cooperate with the Commission and the Tropical Agricultural Station at Tingo Maria or other appropriate Governmental agencies in Peru. Peru and Supplies agree that the Agency shall have all powers necessary and appropriate to the performance of these functions.

(b) The parties hereto agree that the Agency from the time of its establishment will be the sole and exclusive purchaser of cinchona bark collected or produced in Peru during the balance of the term of this agreement. The Agency will be authorized to make full and final payment for such bark at the prices specified in paragraph one hereof. All cinchona bark purchased by the Agency shall be offered for sale to the cinchona bark processing plants in Peru at a price equal to the cost thereof to the Agency and in such amounts and at such times as Peru, through the Commission or  
other

other appropriate Governmental agency, shall direct. This offering to said plants shall be limited only by a requirement that the plants shall not acquire more than a reasonable inventory relative to their capacity operations, and in no event shall the inventory accumulation of a single plant exceed a six months' supply at capacity operations. After the requirements of the plants have been fulfilled, all other cinchona bark acquired by the Agency shall be set aside for the account of Supplies, and Supplies shall be free to store or export such bark, as it sees fit.

(c) The parties hereto also agree to concert their best efforts to assure adoption by cinchona bark processing plants in Peru of the methods and procedures for increasing the efficiency and production of such plants which may be suggested by the technicians and specialists to be furnished by Supplies hereunder.

4. Peru agrees that it will immediately cancel any and all outstanding licenses, permits, or authority for the exportation of cinchona bark or products derived therefrom, and will establish and maintain an export restriction on such bark and products, permitting the export thereof only to Supplies or to nominees of Supplies.

5. Supplies agrees to use its best efforts to assist Peru to obtain from sources in the United States supplies and materials required for the operation of cinchona bark processing plants in Peru. Until such plants are able to supply all of the anti-malarial products required for essential anti-malarial uses in Peru, the United States, in accordance with its general policy, will distribute available supplies of anti-malarial products to Peru and to the  
countries



countries of this Hemisphere on an equitable basis. Supplies assumes the responsibility of insuring that Peru will not be required to pay more than the following prices, f.o.b. ocean-going steamer, New York, for such products:

- (i) Quinine sulphate, USP XII, \$0.805 per ounce;
- (ii) Quinine hydrobromide, NF VII, \$0.895 per ounce;
- (iii) Quinine hydrochloride, USP XII, \$0.895 per ounce;
- (iv) Quinine dihydrochloride, USP XII, \$0.995 per ounce;
- (v) Cinchonine sulphate, NF VII, \$0.555 per ounce;
- (vi) Cinchonidine sulphate, NF VII, \$0.665 per ounce;
- (vii) Quinidine sulphate, USP XII, \$0.845 per ounce;
- (viii) Totaquine, USP XII, \$0.505 per ounce;
- (ix) Atabrine,
- (x) Plasmochin

6. The parties, recognizing the great need of the armed forces of the nations of this Hemisphere for quinine compounds, agree to cooperate in efforts to conserve those compounds for use by such armed forces. To this end, the parties agree to concert their best efforts to encourage the use of synthetic anti-malarials by the civilian population. Supplies will make synthetic anti-malarial products available to Peru at the lowest possible prices, and Peru will arrange for the sale and distribution of such anti-malarial products to consumers thereof in Peru at the lowest practicable distribution costs. To the same end, Peru agrees that it will give sympathetic consideration to the adoption

adoption of such measures for the conservation of anti-malarial products in Peru as have been or hereafter may be adopted by the United States for the conservation of such products in the United States.

7. The parties hereto, in order to cause the collection and production of the greatest possible amount of cinchona bark and products derived therefrom, agree to concert their best efforts to assure that necessary financing is made available to collectors and producers of cinchona bark, that supplies such as tools and other equipment for such collectors and producers are made available to them at fair and equitable prices, and that such collectors and producers receive such a fair proportion of the prices paid by Supplies to its vendors as will encourage the maximum production and collection of such bark, and to this end, the parties agree that after mutual consultation they will fix the prices to be paid to and by collectors and producers of cinchona bark and will provide for the posting and publication of such prices in all communities in cinchona bark producing regions. The parties also agree to concert their best efforts to prevent commercial speculation in, and hoarding of, cinchona bark and the products derived therefrom.

8. (a) Peru agrees that during the term of this agreement it will not impose new, or increase existing taxes, fees, excises, imposts, or other charges upon cinchona bark or products derived therefrom, or their collection, production, transportation, or sale, or their exportation to the United States or to nominees of Supplies, and that it will not impose any restriction, except as hereinbefore

specified

specified, upon the collection, production, transportation, or sale, or exportation, to the United States or to nominees of Supplies, of said commodities.

(b) Peru looks with favor upon the development of an established cinchona bark plantation industry in Peru, and to this end agrees that in the event it is found feasible to establish plantation plantings of cinchona trees in Peru, it will not impose new, or increase existing, taxes, fees, imposts, excises, or other charges, or impose restrictions, which might hinder the effective development of such a cinchona plantation industry.

9. The Commission agrees that to the extent jurisdiction or authority over any of the undertakings herein assumed by Peru or over the subject-matter of this agreement has been, or hereafter may be, delegated to it that it will perform, or cause the performance of, said undertakings.

10. The term of this agreement shall be three years from the date of its execution as shown above; provided, however, that in the event the United States is at war with any foreign power on the date of termination, Supplies shall have, and is hereby granted, an option to extend the term of this agreement for an additional period of one year; and Supplies shall have, and is hereby granted, an option to extend the term of this agreement for successive one-year periods thereafter, in the event the United States is at war with any foreign power at the termination of the immediately preceding one-year extension.

REPUBLIC OF PERU DEFENSE SUPPLIES CORPORATION  
DEFENSE SUPPLIES CORPORATION REPUBLIC OF PERU  
By Lawrence Harnell By R. J. Harnell  
COMISION PERMANENTE DE LA QUINA  
By Indulto Suleta