

Agreement on Economic Co-operation

June 15, 1966

AGREEMENT ON ECONOMIC COOPERATION BETWEEN THE GOVERNMENT OF INDIA AND THE GOVERNMENT OF THE HUNGARIAN PEOPLE'S REPUBLIC

Budapest

The Government of India and the Government of the Hungarian People's Republic, BEING mutually desirous of achieving the closest possible collaboration in the economic and technical fields on the basis of equality and mutual benefit, HAVE agreed as follows :

Article 1

The Government of the Hungarian People's Republic wishing to contribute to the promotion of the economic, development of India :

1. makes available to the Government of India a credit up to the amount of 125 million Indian rupees; and
2. licences that the Hungarian Foreign Trade Enterprises extend Supplier's Credit to organisations and enterprises of Public and Private Sectors in India upto the amount of 125 million Indian rupees, to licence the credit part of the F.O.B. value of plants, machinery, equipments, etc., required for complete projects delivered by Hungarian Foreign Trade Enterprises. The proportion between the amounts under para (a) and (b) above can be changed by common consent of the two Parties.

Article 2

The Government of the Hungarian People's Republic will licence the export of goods contracted in the frame of the present Agreement, and the Government of India will arrange for the issuance of any licences necessary for the import of such goods.

Article 3

1. contracts will be concluded in accordance with the stipulations of this Agreement before December 31, 1970 in Indian rupees within the framework of government credit between the Hungarian Foreign Trade Enterprises and Indian Government Organisations authorised by Government of India in this behalf. Indicative list of the projects is attached to this Agreement. (See Appendix) .
2. Each individual contract concluded will come into force when the Government of India/Ministry of Finance/and the National Bank of Hungary notify each other of the approval of the competent authorities of their country. The date of coming into force shall be the date of the later notification. The approval means also the consent of the Governments to include the respective contract in the framework of the present Agreement.

Article 4

The prices of goods sold under this Agreement will be based on world competitive prices and shall be agreed upon between buyer and seller when concluding the contracts.

Article 5

The terms of payments will be as follows :

1. 7 1/2% of the F.O.B. value of the contracts shall be paid, to the credit of the Indo-Hungarian Credit Repayment Account referred to in para (b) of Article 9, in advance within 60 days counted from the date of coming into force of the contract.
2. The remaining part of the contracted value of the delivered goods shall be paid debiting the credit Accounts established in accordance with Article 7 of this Agreement.

Article 6

The National Bank of Hungary is authorized by the Government of India on presentation of the shipping documents for each part-shipment to effect payments to the Hungarian Foreign Trade Enterprises concerned and to pass automatically the value of the credit part of the deliveries of goods to the debit of the respective Credit Accounts established under Article 7 of this Agreement.

The dates when the National Bank of Hungary will debit the Credit Accounts will be considered as the date on which the credit has been drawn, and the commencing date of interest-calculation as per Article 7.

Article 7

For the purpose of keeping records of utilisation of Government Credit the National Bank of Hungary will open on its Books for each individual contract--concluded in the frame of Government Credit-in the name of the Government of India/Ministry of Finance/Credit Accounts, separately, free of charge and bearing interest of 2 1/2% p.a. These accounts shall be kept in Indian rupees and styled "Credit Account of the Government of India according to the Agreement on Economic Cooperation of 1966 No"

The amount of interest shall be calculated on the amount outstanding to the debit of the Indian Party in the Credit Accounts, as on June 30 and December 31 each year. The amount of interest so calculated will be communicated to the Government of India/Ministry of Finance/to be paid free of income tax, within one month after receipt of intimation. The last payment of interest shall be effected simultaneously with the last instalment of the respective credit.

The National Bank of Hungary shall credit the above mentioned Credit Accounts with the amounts paid according to Article 8 of this Agreement.

Article 8

The amounts debited to the Credit Accounts referred to in Article 7 shall be repaid in Indian Rupees by the Government of India/ Ministry of Finance as follows :

1. 7 1/2% of the F.O.B. value of the contract within 60 days counted from the date of the shipping documents of the last essential consignment of the project to be fixed in the contract.
2. The remaining part of the contracted value in ten equal yearly instalments beginning one year after the date of the shipping documents of the last essential consignment to be fixed in the individual contract. Subsequent instalments shall be due on the same day of each following year.

Article 9

1. All the detailed terms of payment not regulated in this Agreement shall be stipulated in the contracts.

2. Repayment of the credits mentioned in para (a) and (b) of Article 1 of this Agreement and payment of the interest accrued thereon shall be effected in Indian rupees and credited to a separate account-free of income tax-styled as the Indo-Hungarian Credit Repayment Account to be opened by the Reserve Bank of India, Bombay in the name of the National Bank of Hungary. The above payments will be trade in accordance with the Trade and Payments Agreement between the two countries as might be in force from time to time.
3. The funds accumulating on the Indo-Hungarian Credit Repayment Account may be freely used by the National Bank of Hungary for transfers to the credit of the accounts kept by the Reserve Bank of India and/or by the Indian commercial banks in the name of the National Bank of Hungary in pursuance of the Trade and Payments Agreement in force between the two countries from time to time.
4. In the absence of such Trade and Payments Agreement the funds accumulating on the Indo-Hungarian Credit Repayment Account shall be utilised for purchasing Indian goods for export to Hungary. The list of goods to be exported will be mutually agreed upon between the two Governments.
5. In the absence of Trade and Payments Agreement, the funds accumulating on the Indo-Hungarian Credit Repayment Account may be considered by the Hungarian Government for investment in Government of India treasury Bills.
6. If any difficulty arises in utilising the amounts entered into the above-mentioned accounts, Representatives of the two Governments shall meet immediately at the request of either Government to overcome these difficulties and to agree upon the ways and means of utilising the outstanding amount as soon as possible but not later than 90 days counted from the date of the request.

Article 10

In case of a change in the gold parity of Indian rupees (one Indian rupee contains 0.118516 gramme of fine gold), the amount of unutilised credit, the unpaid advances, the value of unfulfilled deliveries of the contracts and the unpaid part of the value of the delivered consignments under this Agreement, the value of import licences, invoices, bank guarantees and any other documents referring to contract under this Agreement, the balance in the Credit Accounts established under Article 7 as well as the balance in the Indo-Hungarian Credit Repayment Account opened under para (b) of Article 9, shall be adjusted as of the date when the change takes place in proportion to the change in the gold parity:

Article 11

Payments relating to technical assistance, project work and other services in connection with the setting up of the projects/programmes envisaged in Article 1 shall not be drawn upon the above-mentioned credit but shall be effected by the Indian Partner in accordance with the Trade and Payments Agreement in force at the time.

Article 12

The National Bank of Hungary and the Government of India (Ministry of Finance) as also the Reserve Bank of India shall mutually agree upon all the necessary financial and banking procedures for putting into effect the present Agreement.

Article 13

Both Governments undertake to do their best to enable the conclusion of the contracts as early as possible and for their proper realisation.

Article 14

In order to facilitate a smooth implementation and full realisation of this Agreement both the Governments shall consult each other. For such consultations, if necessary, a meeting of the representatives of both Governments shall be convened at the request of either Government at any time as soon as possible alternatively in Budapest and New Delhi.

In case of disputes between the Hungarian supplier and the Indian importer in respect of their contracts concluded under this Agreement, the differences shall be settled as per provisions made in the relevant contracts.

Article 15

The present Agreement shall come into force on the date of its signature and shall remain in force until all obligations of both Contracting Parties arising from its implementation will have been fulfilled.

DONE and signed in Budapest, on the 15th of June, 1966 in two originals in English, both texts being equally authentic.

For the Government of India

SD/-

N. R. REDDY

Leader of the Indian Delegation.

For the Government of the Hungarian People's Republic

Sd /-

Dr. L. UJHAZY

Leader of the Hungarian Delegation.

APPENDIX**INDICATIVE LIST OF SUPPLY POSSIBILITIES FROM HUNGARY UNDER SUPPLIER'S CREDIT**

Seamless Steel Tube Mills.

Plant for Manufacturing Gas Cylinders.

Medium Ore Dressing and Recovery Plants.

Integrated Electric bulbs and fluorescent tubes manufacturing factory.

Gas Generating Plant.

Major sub-station equipment and switch-gears, circuit breakers, measuring and power transformers.

Steel Forging Plant.

Any other projects unit may be added to this list by mutual consultations.