

## **Agreement on Economic Collaboration**

December 05, 1973

### **AGREEMENT BETWEEN THE GOVERNMENT OF INDIA AND THE GOVERNMENT OF THE CZECHOSLOVAK SOCIALIST REPUBLICS ON ECONOMIC COLLABORATION**

#### **New Delhi**

The Government of INDIA and The Government of the CZECHOSLOVAK SOCIALIST REPUBLICS,  
BEING mutually desirous of achieving the closest possible collaboration in the economic and technical fields and

HAVING in view the successful development of economic relations between the two countries on the basis of equality and mutual benefits,

HAVE agreed as follows :

#### **Article 1**

1. The Government of the Czechoslovak Socialist Republic shall enable the respective Czechoslovak organisations, authorised under Czechoslovak laws to carry on foreign trade activities to export, and the Government of India shall enable and authorise the respective Indian organisations to import, under the terms and conditions stipulated in this Agreement, machinery, industrial equipment and other supplies for the construction and expansion of Projects in India (hereinafter referred to as Capital Goods) and components for the production programme of various Projects established in India within the framework of economic collaboration with the Czechoslovak Socialist Republic (hereinafter referred to as Components).
2. Capital Goods and Components shall be supplied under this Agreement for such projects in India as may be mutually agreed upon between the two Contracting Parties.

#### **Article 2**

1. With a view to contributing to the implementation of Plans of Economic Development of the Republic of India, the Government of the Czechoslovak Socialist Republic herein extends to the Government of India a credit upto Rs.800 million (eight hundred million Indian Rupees) for financing the FOB value of purchases in Czechoslovakia of Capital Goods and Components referred to in Article 1.
2. Out of this total, the supplies of Components shall not exceed the amount of Rs.300 million (three hundred million Indian Rupees).

#### **Article 3**

1. The supplies of Capital Goods and Components under this Agreement shall be carried out on the basis of commercial contracts in Indian Rupees to be concluded between the organizations of the two countries not later than 31st December 1977.
2. Each individual contract for supplies of Capital Goods and Components :  
I. shall be subject to an approval of the respective authorities of the two Contracting Parties who shall satisfy themselves that such contract falls properly under this Agreement;  
II. shall enter into force after such an approval;

III. shall bear a clear reference to the effect that it is being concluded under this Agreement.

#### **Article 4**

1. The credit may be drawn upon from the date this Agreement comes into force until the completion of supplies in accordance with the terms and conditions of the respective contract(s).
2. The date when the Ceskoslovenska obchodni banka a.s., Prague, honours the documents presented as per Article 5 by the Czechoslovak exporter(s) shall be considered as the date on which the credit has been drawn.

#### **Article 5**

1. The Ceskoslovenska obchodni banks a.s., Prague, shall open on its books, in the name of the Government of India (Ministry of Finance), a Credit Account in Indian Rupees for each Project and one Credit Account for all Programmes envisaged under Article 1. No charges will be levied for the maintenance of these Credit Accounts.
2. On presentation of the respective Invoices and Bills of Lading, or appropriate transport documents for consignments sent to India by air, the Ceskoslovenska obchodni banka a.s., Prague, is authorised to draw upon the Credit the corresponding amount(s) of the said documents by debiting the Credit Account(s) referred to above.
3. As and when repayments are made under Article 8 of this Agreement, the Ceskoslovenska obchodni banks a.s., Prague, shall credit the amounts so repaid to the relevant Credit Account(s).

#### **Article 6**

The credit shall bear an interest of 2.5% per annum, the amount of interest payable being calculated on the amount outstanding the the debit of the Indian Government in the Credit Account(s) as on June 30th and December 31st each year. The amount of interest so calculated will be communicated to the Government of India (Ministry of Finance) to be paid within one month after the receipt of such intimation.

#### **Article 7**

This amount of credit drawn upon under Article 5 shall be repaid by the Government of India as follows :

1. The amount outstanding after the completion of supplies for the corresponding Project, in each respective Credit Account mentioned in Article 5, shall be divided into twelve equal yearly instalments. The first instalment for the repayment of the Credit drawn upon shall be paid upon the expiry of three years after the presentation of the final invoice and other documents (vide Article 5) to the Ceskoslovenska obchodni banka a.s., Prague, in respect of the last delivery of the machinery and equipment, the next instalments being due after the lapse of each successive year.
2. For the supplies of Components concerned with the Production Programmes mentioned in Article 1, supplies effected in such calendar year will constitute a separate Programme and the amounts outstanding as at the end of each calendar year will be divided into 10 (ten) equal yearly instalments. The first instalment shall be paid on the second day of the second following calendar year; the subsequent instalments being due on the second day of each successive year.

#### **Article 8**

Repayments of the credit and repayments of the interest accrued thereon shall be credited to the Central clearing Account in accordance with the Trade and Payments Agreement in force between the two countries. The amounts so tendered into the above account shall be utilised for purchasing Indian goods for export to Czechoslovakia in accordance with the Trade and Payments Agreement between the two countries. In the absence of such a Trade and Payments Agreement, repayment of the credit and payment of interest shall be effected by the export of Indian goods to be mutually decided, or through any other method that may be agreed upon the two Governments.

#### **Article 9**

In case of a change in the gold parity of the Indian Rupee (one Rupee being now equal to 0.118489 gramme of fine gold), the amount of utilised Credit extended under Article 2, the outstanding balance(s) shown on the Credit Account(s) maintained under Article 5, the amounts of unpaid interest referred to in Article 6 and the amounts which have not been passed to the said Credit Account(s) on the strength of the respective contracts for supplies of Capital Goods and Components under this Agreement, including respective Banking instruments (i.e. Letters of Credit, guarantees etc) shall always be adjusted, as of the day when the change takes place, in proportion to the change in the gold parity of the Indian Rupee. There shall not, however, be any such adjustment if and to the extent the change in the par value of the Indian Rupee is part of a uniform change in the par value of currencies as a result of a revision of the international official price of gold.

#### **Article 10**

The prices of the goods to be purchased and sold under this Agreement shall be based on world market prices and shall be agreed upon between the respective organisations of the two countries at the time of concluding specific contracts.

#### **Article 11**

Payments relating to technical assistance, project work and other services in connection with the setting up of projects and in connection with the supplies envisaged in Article 1 shall not be drawn upon the Credit extended under this Agreement but shall be effected by the respective Indian organisation in accordance with the respective contracts under the Trade and Payments Agreement in force at the time.

#### **Article 12**

The Ceskoslovenska obchodni banka a.s., Prague, 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 this Agreement into effect.

#### **Article 13**

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

#### **Article 14**

1. In order to facilitate a smooth implementation and full realization of this Agreement both Governments shall consult each other whenever necessary. For such consultations a meeting of the representatives of the two Governments shall be convened as soon as possible after a request is made by either Government, alternatively in Prague and in New Delhi.

2. In case of dispute between the respective organisations of the two countries in respect of contracts concluded under this Agreement, the representatives of the two Governments shall consult each other in order to bring about mutual agreement.

**Article 15**

This Agreement shall come into force on the day of the exchange of notes confirming that it has been approved in accordance with the constitutional procedures of both countries and shall remain valid until the implementation of the commitments resulting therefrom.

DONE and signed in New Delhi on December 5, 1973 in two originals each in the Hindi and English languages, all texts being equally authentic, except in case of doubt when the English text shall prevail.

**On behalf of the Government of India**  
Sd/-  
Y B CHAVAN

**On behalf of the Government of the  
Czechoslovak  
Socialist Republic**  
Sd/-  
Eng. JINDRICH ZAHRADNIK