

**AGREEMENT¹ BETWEEN THE GOVERNMENT
OF INDIA AND THE GOVERNMENT OF THE
HUNGARIAN PEOPLE'S REPUBLIC REGARDING
THE LIQUIDATION OF RUPEE BALANCES ON
TERMINATION OF THE TRADE AND
PAYMENTS AGREEMENT² OF
3 MARCH, 1971
New Delhi, 15 December 1977**

The Government of the Republic of INDIA

AND

The Government of the HUNGARIAN PEOPLE'S REPUBLIC,

BEARING in mind the friendly relations between the two countries and being desirous of developing cooperation in trade and economic fields on the basis of equality and mutual benefit,

HAVE AGREED as follows :

Article I

The Trade and Payments Agreement between the Government of the Hungarian People's Republic and the Government of the Republic of India concluded on March 3, 1971 governing the trade and payments relations between the two countries shall expire on December 31, 1977.

Article II

Except as stipulated in Articles III, IV and V of this Agreement, all trade and payments transactions between Hungary and India with effect from January 1, 1978 shall be concluded/settled in freely convertible currencies in accordance with Article VIII of the Trade Agreement concluded between the two Governments on December 15, 1977.

1. Came into force on 1 January 1978.

2. IBTA Vol. 7 Doc. No. 428.

Article III

All export/import contracts/agreements and all other contracts/agreements concluded before December 31, 1977 between the two countries will continue to be implemented in non-convertible Indian Rupees in accordance with the terms of the relevant contracts/agreements.

Provided that payments in respect of contracts, other than those on deferred payment basis, shall be completed before December 31, 1979. However, if some contracts/agreements concluded before December 31, 1977 still remain unsettled on December 31, 1979, the two Governments may mutually agree on the dates by which these contracts/agreements will be settled.

Article IV

The repayment of principal and payment of interest on credits obtained in pursuance of the Agreement¹ on Economic Cooperation dated June 15, 1966 between the Government of the Hungarian People's Republic and the Government of the Republic of India shall continue to be made in non-convertible rupees on the due dates to the credit of the National Bank of Hungary with the Reserve Bank of India through the Indo-Hungarian Credit Repayment Account.

Article V

In regard to the modalities for the settlement of the outstandings between Hungary and India consequent on the termination of the Trade and Payments Agreement dated March 3, 1971 the two Governments agree as follows :

- (a) Payments in respect of all contracts/agreements referred to in Articles III and IV upto December 31, 1979 shall be effected through the existing Hungarian accounts as per the standing arrangements with the Reserve Bank of India and the Indian commercial banks.
- (b) All existing non-convertible rupee accounts of the National Bank of Hungary and Hungarian Foreign Trade Bank Limited with the Reserve Bank of India and the various Indian commercial banks shall be closed as on December 31, 1979 and the balances transferred to a new account to be opened in the name of the National Bank of Hungary with the Reserve Bank of India to be called the New Central Account. Payments falling due after December 31, 1979 in respect of contracts/agreements referred to

1. IBTA Vol. 5 Doc. No. 348.

in Article III above shall be made into the New Central Account. The amounts that will be credited to the Indo-Hungarian Credit Repayment Account in terms of Article IV after December 31, 1979 will be automatically transferred to the New Central Account.

- (c) The technical credit that may remain outstanding as on December 31, 1977 shall be progressively and automatically reduced by the utilization of funds accruing in the Central Account and in the New Central Account till the credit is fully repaid. Interest will be charged on the technical credit outstanding at the prevailing rate of 91 days Government of India Treasury Bills. With effect from January 1, 1978 there will be no interest-free component in the technical credit. The technical credit shall be liquidated latest by December 31, 1980.
- (d) The funds accruing in the Central Account and in the New Central Account after meeting the liabilities on account of technical credit shall be used for payments for purchase of goods from India for export to Hungary including those purchases which shall have been contracted on or after January 1, 1978.
- (e) After the technical credit is exhausted, the balances of the National Bank of Hungary with the Reserve Bank of India in the Central Account/New Central Account may be invested in 91 days Treasury Bills, of the Government of India. With effect from January 1, 1978 there will be no interest-free component in the balances of the National Bank of Hungary in their Central Account/New Central Account with the Reserve Bank of India. These Treasury Bills will automatically be encashed for replenishing the Central Account/New Central Account as and when required.
- (f) The two Governments will review periodically the movement of trade between the two countries with a view to liquidating the outstanding obligations on each side.
- (g) For the purpose of facilitating payments in rupees between Hungary and India as envisaged in this Article, the Reserve Bank of India may, after December 31, 1979, permit opening of non-convertible commercial accounts with any one of the nationalized banks of India. The operation of such accounts and transfer of funds between such accounts and the New Central Account with the Reserve Bank of India will be governed by such conditions as may be laid down by the Reserve Bank of India.

Article VI

The National Bank of Hungary and the Reserve Bank of India shall make the necessary banking arrangements for the implementation of the provisions of the present Agreement.

Article VII

The present Agreement shall come into force on January 1, 1978 and shall remain in force until the obligations arising from its implementation will have been fulfilled.

DONE in New Delhi, on December 15, 1977 in six originals, two in Hungarian language, two in Hindi language and two in English language, all the six texts being equally authentic. In the event of difference arising regarding interpretation, the English text shall be used.

For the Government of the
Republic of India

For the Government of the
Hungarian People's Republic

Sd/-
MOHAN DHARIA

Sd/-
Dr. BIRO JOZSEF
