

**PROTOCOL<sup>1</sup> BETWEEN THE GOVERNMENT  
OF INDIA AND THE GOVERNMENT OF THE  
UNION OF SOVIET SOCIALIST REPUBLICS  
CONCERNING THE ESTABLISHMENT  
OF THE RATE OF EXCHANGE  
New Delhi, 25 November 1978**

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The Government of the Republic of INDIA

AND

The Government of the UNION OF SOVIET SOCIALIST REPUBLICS,

GUIDED by the relations of friendship and cooperation existing  
between the two countries,

HAVE AGREED as follows :

*Article 1*

Subject to the provisions of the relevant subsequent Articles of this Protocol, an exchange rate of Rupees 10 to 1 Rouble shall with effect from the date of signature of this Protocol apply to the settlement of all existing and future credit agreements and commercial transactions which are or may be designated in Roubles between the Republic of India and the Union of Soviet Socialist Republics.

This rate of exchange shall not apply to non-commercial transactions.

*Article 2*

With effect from the date of signature of this Protocol, the exchange rate referred to in Article 1 shall apply :

- (a) to all existing credit agreements designated in Roubles between the Government of the Republic of India and the Government of the Union of Soviet Socialist Republics;

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1. Came into force on 25 November 1978.

- (b) to all existing commercial contracts designated in Roubles, to all existing commercial contracts designated in Rupees where the contract price is linked to the gold parity clause;
- (c) to all existing deferred payment contracts where the contract price is linked to the gold parity clause, to all deferred payment contracts which contain the protective clause as stipulated in and in terms of Article 6 of the Protocol dated 13th April, 1976 on deliveries of Machinery and Equipment from the Union of Soviet Socialist Republics to the Republic of India on deferred payment terms; and
- (d) to all existing service contracts where the contract price is designated in Roubles or which contain a gold parity clause.

The exchange rate referred to in Article 1 shall be also applicable to all future credit agreements and commercial transactions of the categories envisaged in points (a), (b), (c) and (d) above, where designated in Roubles and to commercial/ deferred payment contracts designated in Indian Rupees where the price is related to the rate of exchange between the Rouble and the Rupee.

In respect of contracts concluded between Indian private sector enterprises and Soviet organisations before the coming into force of this Protocol and which contain a gold parity clause or which are designated in Roubles, the application to the provisions of this Protocol to such contracts shall be a matter of agreement being reached directly between the parties to such contracts. The Government of India shall issue instructions to banks in India dealing in foreign exchange to allow without delay in favour of Soviet organisations such additional payments as are agreed upon between the parties to such contracts in respect of instalments falling due after the coming into force of this Protocol.

### *Article 3*

The exchange rate referred to in Article 1 shall not apply to :

- (a) the repayments of principal and payments of interest already effected by the Government of the Republic of India upto date of signature of this Protocol under credit agreements between the Government of the Republic of India and the Government of the Union of Soviet Socialist Republics except those made under credit agreements containing a protective clause providing that the rate of exchange between the Rouble and the Rupee that may be agreed upon between the two Governments shall apply with effect from the date of conclusion of such credit agreements; and

- (b) payments already effected by the Indian side upto the date of signature of this Protocol in respect of contracts referred to in clauses (b), (c) and (d) of Article 2.

Such payments already effected upto the date of signature of this Protocol shall be deemed as fully settled and shall not be subject to any revision.

In respect of the already concluded credit agreements containing a protective clause specifying that the rate of exchange between the Rouble and the Rupee that may be agreed upon between the two Governments shall apply, the rate of exchange referred to in Article 1 shall, in accordance with the provisions of such credit agreements, apply from the date of their conclusion. The Indian side shall, not later than March 31st, 1979 affect payment of the additional amounts arising from the retrospective application of the rate of exchange referred to in Article 1 to such credit agreements.

#### *Article 4*

The gold parity clause contained in credit agreements as well as in all contracts shall cease to be operative with effect from the date of signature of this Protocol.

However, in respect of contracts already concluded between Indian private sector enterprises and Soviet organisations which contain a gold parity clause, the application of the gold parity clause in such contracts shall from the date of signature of this Protocol be a matter of agreement reached directly between the parties to such contracts.

#### *Article 5*

In respect of repayments of principal and payments of interest thereon for supplies shipped and services rendered by the Union of Soviet Socialist Republics to the Republic of India upto the date of signature of this Protocol under the Government credits which do not contain the clause about the application of the agreed rate of exchange between the Rouble and the Rupee, the Indian side shall continue to effect future instalment payments on the dates on which they fall due at the rate of Rupees 8.333 to 1 Rouble. With effect from the date of signature of this Protocol, the additional liabilities on account of repayment of principal and payment of interest thereon under such credit agreements calculated at the fixed rate of Rupees 1.667 per Rouble shall constitute an element of a deferred payment facility to be extended by the Government of the Union of Soviet Socialist Republics to the Government of the Republic of India. Such elements relating to a calendar year shall be aggregated and this aggregate

sum shall be repayable without interest in 45 equal annual instalments. The payment of the first instalment of each of such aggregate sums shall be effected on the 1st July immediately following the calendar year to which it relates.

If on the date of repayment of any instalment of the deferred payment facility, the ruling exchange rate between the Rouble and the Indian Rupee under Article 1 read with Article 7 of this Protocol is different from the rate of Rupees 10 to 1 Rouble, the amount of such instalment shall be adjusted proportionately.

#### *Article 6*

The concerned authorities of the Republic of India and the Bank for Foreign Trade of the U.S.S.R., shall as soon as possible, determine the quantum of the total outstanding liabilities as on the date of signature of this Protocol under Article 5 in respect of supplies shipped and service rendered by the Union of Soviet Socialist Republics to the Republic of India upto the date of signature of this Protocol under the Government credits which do not contain a clause about the application of the new agreed rate of exchange between the Rouble and the Rupee.

#### *Article 7*

In case of the Rupee value of the special currency basket, the composition of which is detailed in the Annexure to this Protocol, which forms an integral part thereof, changes on any day after the date of signature of this Protocol by more than 3% (three per cent) either way as compared to the base value of the basket which is Rupees 10.5693 as available on the date of signature of this Protocol, the exchange rate referred to in Article 1 shall be readjusted proportionately to the change.

The readjusted exchange rate between the Rouble and Rupee shall come into force from the third day following the day on which the change occurs.

Every subsequent change in the Rupee value of the special currency basket existing 3% either way as compared... the value taken is the basis for the previous adjustment, shall result in a new readjustment, which shall be carried out in the same manner as mentioned above.

#### *Article 8*

Both the Parties further agree :

(a) that the above articles do not imply that in future all credits and

commercial transactions will necessarily be designated only in Roubles;

- (b) that there is no intention to change the present practice whereby current commercial transactions are expressed generally in Indian Rupees and also in third currencies and sometimes in Roubles;
- (c) that, with the agreement of both Parties, future credit agreements could be designated in Roubles as at present, or in Indian Rupees or in currencies of third countries; and
- (d) that there is no intention to alter the present general framework of payments arrangements between the Republic of India and the Union of Soviet Socialist Republics under which settlement of commercial transactions and repayments of credits are made in Indian Rupees.

*Article 9*

The Reserve Bank of India and the Bank for Foreign Trade of the Union of Soviet Socialist Republics shall mutually agree upon a suitable banking arrangement for implementing the provisions of this protocol by March 31, 1979.

*Article 10*

The present Protocol shall come into force from the date of its signature.

DONE in New Delhi on November 25, 1978 in two original copies each in the Hindi, Russian and English languages, all the texts being equally authentic and the English text being the operative one.

*Sd/-*

MANMOHAN SINGH  
For and on behalf of the  
Government of the Republic  
of India

*Sd/-*

A.R. MAKEEV  
For and on behalf of the  
Government of the Union of  
Soviet Socialist Republics

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**ANNEXURE  
TO THE INDO-SOVIET PROTOCOL DATED  
NOVEMBER 25, 1978**

*SPECIAL CURRENCY BASKET REFERRED TO  
IN ARTICLE 7 OF THE PROTOCOL*

i.	U.S. Dollar	0.40
ii.	Deutsche Mark	0.32
iii.	Pound Sterling	0.050
iv	French Franc	0.42
v	Japanese Yen	21.00
vi	Canadian Dollar	0.070
vii	Italian Lira	52.00
viii	Netherlands Guilder	0.14
ix	Belgian Franc	1.60
x	Swedish Krone	0.11
xi	Australian Dollar	0.017
xii	Spanish Peseta	1.50
xiii	Austrian Schilling	0.28
xiv	Saudi Arab Riyal	0.13
xv	Iranian Riyal	1.70
xvi	Norwegian Krone	0.10

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**EXCHANGE OF LETTERS**

Side Letter I

New Delhi, the 25th November, 1978

EXCELLENCY,

With reference to the Protocol signed today between the Government of the Union of Soviet Socialist Republics and the Government of the Republic of India concerning the establishment of a rate of exchange between the Rouble and the Indian Rupee, it was understood between us that the non-commercial transactions referred to in Article 1 thereof relate exclusively to the (i) maintenance expenditure of the Embassy of India and other Indian organisations located in the Union of Soviet Socialist Republics, (2) remittances between family members or other individuals and (3) the transactions

of Indian tourists and Indian delegations visiting the Union of Soviet Socialist Republics.

I shall be grateful if you could kindly confirm that contents of this letter correctly set out the understanding reached between us.

Please accept, your Excellency, the assurances of my highest consideration.

*Sd/-*

MANMOHAN SINGH  
Secretary to the Government of India  
Department of Economic Affairs  
Ministry of Finance

His Excellency, Mr. A.R. MAKEEV,  
First Deputy Chairman of the  
Bank for Foreign Trade of the USSR

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Side Letter II

New Delhi, the 25th November, 1978

EXCELLENCY,

In connection with Article 7 of the Protocol signed today by the Government of the Union of Soviet Socialist Republics and the Government of the Republic of India, I have the honour to state that the following understanding has been reached between the two Governments :

1. The Reserve Bank of India shall make readjustment of the rate of exchange between the Rouble and the Rupee in terms of Article 7 of the Protocol. Whenever such a readjustment is effected, the Reserve Bank of India shall advise the State Bank of USSR by cable or telex of the readjusted rate, the Rupee value of the special currency basket on the day the change is made and the exchange rate of the Indian Rupee in terms of the currencies in the basket on the basis of which the Rupee value of the basket has been arrived at. For this purpose, the Reserve Bank of India may use the rates announced by international institutions for the currencies included in the basket and the official exchange rate of the Indian Rupee vis-a-vis its intervention currency as announced from time to time by the Reserve Bank of India. The

State Bank of the USSR shall confirm receipts of the advices communicated by the Reserve Bank of India or communicate its observations, if any.

2. In case the value of the special currency basket cannot be determined for any reason, the representatives of the Government of the Union of Soviet Socialist Republics and the Government of the Republic of India will meet with a view to establishing an alternative, mutually acceptable mechanism, for safeguarding both the Parties against losses arising from fluctuations in the international currency markets.

I shall be grateful if you confirm that the above sets out correctly the understanding reached between us. Please accept, your Excellency, the assurances of my highest consideration.

Sd/-

MANMOHAN SINGH

Secretary to the Government of India

Department of Economic Affairs

Ministry of Finance

His Excellency, Mr. A.R. MAKEEV,  
First Deputy Chairman of the  
Bank for Foreign Trade of the USSR