TRADE AGREEMENT BETWEEN THE GOVERNMENT OF PAKISTAN AND THE GOVERNMENT OF INDIA

The Government of Pakistan and the Government of India,

Desiring to develop, extend and strengthen the commercial relations between the two countries on the basis of equality and mutual benefit,

Have agreed as follows:

ARTICLE 1

The two Governments shall, subject to the laws, regulations and procedures in force in their respective countries from time to time, take all appropriate measures to facilitate, strengthen and diversify trade between the two countries.

ARTICLE 2

In order to advance the objectives of Article 1 of this Agreement, the two Governments shall also encourage relevant enterprises and organizations of their respective countries to explore the scope for long-term contracts and, where appropriate, to conclude such contracts.

ARTICLE 3

The two Governments undertake to grant import/export licences in accordance with their respective laws and regulations relating to import/export and foreign exchange. To begin with, and unless otherwise agreed, trade will be conducted on Government-to-Government basis

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or through Government controlled Trade Corporations of the two countries.

ARTICLE 4

The two Governments shall accord to each other in their trade relations the most favoured nation treatment in accordance with the provisions and decisions of the GATT.

ARTICLE 5

The two Governments agree to cooperate effectively with each other to prevent infringement and circumvention of the laws, rules and regulations of either country in regard to matters relating to foreign exchange and foreign trade.

ARTICLE 6

In order to advance the objectives of this Agreement each Government shall, subject to the laws and regulations in force in its country encourage and facilitate the holding within its territory of trade fairs and exhibitions by enterprises and organizations of the other country.

ARTICLE 7

All payments and charges in connection with trade between the two countries shall be effected in freely convertible currency in accordance with the foreign exchange regulations in force from time to time in each country.

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ARTICLE 8

The goods exported from Pakistan and India under this Agreement will be of Pakistan and Indian origin and for consumption in India and Pakistan respectively. The said goods shall not be re-exported to third countries.

ARTICLE 9

For the purpose of promoting the aims of this Agreement a Committee of representatives to be designated by the respective Governments shall be established.

The Committee shall meet at least once a year, or as often as may be mutually agreed upon alternatively in India and Pakistan.

The Committee shall :

(a) review the implementation of the provisions of this Agreement;

(b) examine and recommend measures for the solution of problems which may arise in the implementation of this Agreement or in the course of the development of trade between the two countries;

(c) consider proposals made by either of the Governments, within the framework of this Agreement, aimed at further expansion and diversification of trade between the two countries.

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ARTICLE 10

This Agreement shall come into force on the date of signature and shall be valid for a period of one year. Thereafter, it shall automatically be extended for two years unless, within a minimum period of three months prior to the expiration of the initial period of validity of one year, either Government gives to the other a written notice of its intention to terminate the Agreement.

DONE at Islamabad on Twentythird day of January, 1975, in two originals in English, both texts being equally authentic.

For the Government of India

(Y.T. Shah)
Secretary to the Government
of India
Ministry of Commerce

Leader of the Indian
Delegation

For the Government of Pakistan

(Ejaz Ahmed Naik)
Secretary to the Government
of Pakistan
Ministry of Commerce

Leader of the Pakistan
Delegation

MEMORANDUM OF UNDERSTANDING

1. For the purpose of giving effect to the provisions of Article 7 of the Trade Agreement and ensuring expeditious settlement of trade transactions under contracts concluded hereafter and other transactions incidental thereto, the two Governments recognise the need of commercial banks in India and Pakistan entering into suitable agency arrangements, subject to laws and regulations in force in the respective countries from time to time. These arrangements will be applicable only to trade transactions concluded after the 23rd January, 1975. Exports from India to Pakistan will be covered by irrevocable documentary letters of credit opened by a bank in Pakistan with a bank in India and expressed in convertible currency. Similarly, exports from Pakistan to India will be covered by irrevocable documentary letters of credit opened by a bank in India with a bank in Pakistan and expressed in convertible currency.

In order to avoid multiplicity of banks handling transactions in initial stages on either side, such transactions may for the present be confined to the State Bank of India in India and the National Bank of Pakistan in Pakistan. Suitable agency arrangements may be entered into between these two banks for this purpose. As trade between the two countries gathers momentum, arrangements may be reviewed at a later date with a view to including other banks in the financing of trade between India and Pakistan.

2. In accordance with clause 4 of the Trade Protocol of 30th November, 1974, the delegations from the concerned Organizations are scheduled to meet at the end of January, 1975 to explore the possibilities of trade in cotton. The delegations of the Government controlled Corporations of the two countries

will meet in March or April, 1975 in New Delhi to explore the possibilities of trade in other commodities such as, engineering goods, jute manufactures, tea, coal, iron and steel products, rice, bidi leaves and railway track materials etc, which have been indicated as available for export. Further meetings of the representatives of the concerned Organizations will be held as and when necessary.

This Memorandum of Understanding will constitute an integral part of the Trade Agreement signed on this date.

Done at Islamabad on 23rd January, 1975, in two originals, both of which are equally authentic.

Y. T. Shah
Secretary to the Government
of India
Ministry of Commerce

Leader of the Indian
Delegation

Ejaz Ahmed Naik
Secretary to the
Government of Pakistan
Ministry of Commerce

Leader of the Pakistan
Delegation