

AGREEMENT BETWEEN THE PRESIDENT OF THE ISLAMIC
REPUBLIC OF PAKISTAN AND THE GOVERNMENT OF THE
PEOPLES' REPUBLIC OF BANGLADESH FOR THE PROVISION
OF A CREDIT BY PAKISTAN TO BANGLADESH

The President of the Islamic Republic of Pakistan (hereinafter called the Lender) and the Government of the Peoples' Republic of Bangladesh (hereinafter called the Borrower) for the purpose of strengthening Bilateral relations have agreed as follows:-

ARTICLE - I

The Lender agrees to provide to the Borrower a credit of US\$50 million (United States Dollar Fifty Million) for purchase of machinery and equipment, container vessels and other engineering goods, both electrical and non-electrical, manufactured/produced in Pakistan.

ARTICLE - II

The validity of the agreement for entering into contract with Pakistan Suppliers and opening letters of credit shall be two years from the date of signing of this agreement subject to extension through negotiation.

For the purpose of disbursement the credit agreement shall remain valid till the liquidation of letters of credit opened within the validity period of two years. Any uncommitted/unutilized amount of credit shall expire unless extended by the lender through mutual agreement.

19. Pakistan side offered five tractors manufactured in Pakistan, free of cost as promotional measures and for testing the market for export of tractors to Bangladesh. Bangladesh side accepted the offer with thanks.

Both sides thanked each other for the great understanding of each other's views and ardent desire for all-out cooperation.

A. K. Khandker

Air Vice Marshal (Retd)
A.K. Khandker,
Minister for Planning
Government of People's
Republic of Bangladesh

Dr. Mahbub-ul-Haq

(Dr. Mahbub-ul-Haq)
Minister for Finance, Economic
Affairs, Commerce, Planning
and Development
Islamic Republic of Pakistan

13. Bangladesh will examine the possibility of increasing the import of cotton from Pakistan in the light of decision taken in the second meeting of Pakistan - Bangladesh Joint Economic Commission.

14. In order to streamline and promote mutually advantageous linkages in the fabrics and garments industry in Bangladesh, a package-involving joint ventures, technical assistance, and other suitable measures would be evolved through consultation with the relevant trade bodies.

15. It was also decided that both sides would exchange frequent visits of delegations of their respective Chambers of Commerce, and the Joint Chamber of Commerce would be activated. Both side also agreed that joint committees on Textiles, Cotton, jute and tea and other items will be set up as and when considered necessary.

16. Both sides recognising the importance of frequent high level contacts between Pakistan and Bangladesh to consolidate the bilateral trade and economic relations, expressed the hope that such visits would be encouraged. Both sides agreed to consider issuing multiple entry visa to facilitate to travel of businessmen between the two countries.

17. Both sides agreed to create conditions for promoting direct bilateral trade so that third country intermediaries are avoided.

18. Both the delegations received a representative group of Pakistani industrialists and businessmen. Free and frank discussions took place. Mention was made of some of the visiting problems regarding trade and some suggestions were also made to promote bilateral relations in the field of trade, commerce and industries. A list of Pakistani Businessmen who attended the meeting is annexed.

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6. Bangladesh side expressed their satisfaction on Pakistan's recent supply of 30,000 tons of sugar.
7. Bangladesh side indicated their requirement for supply of cement. Pakistan side agreed in principle to meet the requirement of Bangladesh upto 100,000 tons. Details will be worked out between the relevant organisations of the two countries.
8. Bangladesh side agreed that Pakistan may hold a Single Country Exhibition in Dhaka during early 1989. In this regard the details will be worked out later. Bangladesh side also agreed in principle to allow spot sales for some agreed items.
9. Pakistan side expressed interest in export of railway coaches, buses, trucks, T.V., fridges, road rollers, cargo and container vessels and Air-conditioners, transformers, transmission towers and other related engineering goods from Pakistan to Bangladesh.
10. Bangladesh side also expressed their interest to export to Pakistan such non-traditional items as power cables, telephone cables, jute carpet, insulators, packet tea, jute machine spares, sanitary wares, super enamel copper wire, finished leather, crust leather, razor blades, electronic goods alongwith increasing the export volume of traditional items such as jute, jute manufacture and tea.
11. Both sides agreed that the next meeting of Bangladesh - Pakistan Joint Economic Commission would be held in Islamabad during first quarter of 1989 on mutually convenient dates.
12. Both sides agreed to promote joint ventures in each other's country. Information will be provided to the Chambers regarding incentives, facilities, security and other conditions of investment.

Encl

AGREED MINUTES OF THE MEETING HELD AT ISLAMABAD
ON 13TH OCTOBER 1988 BETWEEN AIR VICE-MARSHAL
(RETD) A.K. KHANDKER, MINISTER FOR PLANNING
GOVERNMENT OF THE PEOPLE'S REPUBLIC OF BANGLADESH
AND DR. MAHBUB-UL-HAQ, MINISTER FOR FINANCE, COMMERCE,
PLANNING AND DEVELOPMENT OF THE ISLAMIC
REPUBLIC OF PAKISTAN

A delegation of People's Republic of Bangladesh led by Air Vice Marshal (Retd), A.K. Khandker, Minister for Planning visited Pakistan from 12 - 15 October, 1988 and held talks with the Government of the Islamic Republic of Pakistan led by Dr. Mahbub-ul-Haq, Minister for Finance, Economic Affairs, Commerce, Planning and Development. The lists of two delegations are at Annexure I & II. The meeting was held in an atmosphere of cordiality, goodwill and understanding and various measures to increase and further strengthen the existing economic and trade relations between the two brotherly Islamic countries were discussed.

2. This was a follow-up meeting of the discussions held in Dhaka in July 1988 by the Pakistan delegation led by Dr. Mahbub-ul-Haq, Minister for Finance, Economic Affairs, Commerce and Planning and Development.

3. STATE CREDIT:

An Agreement providing US \$ 50.00 million State Credit to Bangladesh by Pakistan was signed during the visit.

4. SUPPLIER'S CREDIT:

Pakistan side agreed to provide Supplier's Credit to Bangladesh for setting up a sugar plant. Terms and conditions of the supplier's credit will be worked out separately.

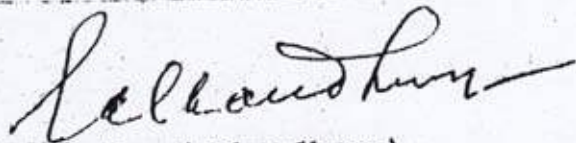
5. TRADE/ECONOMIC CO-OPERATION:

The implementation of the current STA was reviewed and both sides expressed satisfaction on its operation. Both the sides agreed to extend the validity period of existing STA upto June 30, 1989. In the meantime a new STA will be negotiated and finalised.

RKK
9/12

SIDE LETTER NO. II

The Government of the People's Republic of Bangladesh confirms that the signing of the State Credit Agreement for US \$50 million by the Government of the People's Republic of Bangladesh on 13 October 1988 also covers the guarantee of the Central Bank of Bangladesh i.e. Bangladesh Bank.

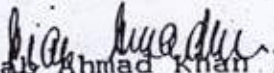


(Enam Ahmed Chaudhury)
Secretary
External Resources Division
✓ Ministry of Planning
Government of the
People's Republic of Bangladesh

13 October 1988.

SIDE LETTER NO. I

The Government of the Islamic Republic of Pakistan confirms that the Suppliers' Credit for the procurement of ^a sugar mill from Pakistan will be on the same terms and conditions as that of the State Credit of US \$50 million signed between the two countries on 13 October 1988. The guarantee for repayment would be from a nationalised commercial Bank of Bangladesh.


(Aftab Ahmad Khan)
Adl. Secretary
Economic Affairs Division
Government of the
Islamic Republic of Pakistan

13 October 1988.

- v) State Bank of Pakistan will make payment to the negotiating bank and send an advice to the Economic Affairs Division, Government of Pakistan, Islamabad about the payment made giving the following particulars:
- a) Economic Affairs Division's authority under which payment has been made.
 - b) Letters of credit number and date under which payment made.
 - c) Amount of payment in U.S. Dollar and its rupee equivalent debited to Government account.
 - d) Date of Payment.
 - e) Copies of invoices and non-negotiable bill of lading.
- vi) The Economic Affairs Division, Government of Pakistan Islamabad will prepare repayment schedules of principal and service charge and transmit the same to Government of Bangladesh requesting them to return one copy of the repayment schedule duly countersigned by the Central Bank of Bangladesh after verification of the amounts and due dates.
- vii) The Central Bank of Bangladesh shall pay the instalments of principal and service ^{charge} on the due dates to the Federal Reserve Bank of New York for credit to the account of the State Bank of Pakistan under advice to the latter as well as the Economic Affairs Division, Government of Pakistan and such payments shall be considered as good discharge. ✓

The modus-operandi for disbursement and repayment of the Credit

- i) Government of Bangladesh will authorise one of its Development Finance Institutions (DFI)/Banks through which the loan will be utilized.
- ii) The concerned DFI/Bank in Bangladesh will open letters of credit for imports from Pakistan and get the same advised through a bank in Pakistan.
- iii) The DFI/Bank in Bangladesh opening the letter of credit will pass on a copy thereof (L/C) to the Economic Affairs Division, Government of Pakistan, Islamabad requesting the latter to arrange payments out of the credit amount in respect of shipments to be made against the relative letter of credit.
- iv) The Economic Affairs Division while according clearance to the bank in Pakistan for advising the letter of credit to the beneficiaries will authorise the Bank concerned to reimburse itself from State Bank of Pakistan. A copy of this advice will be endorsed by the Economic Affairs Division, Government of Pakistan, Islamabad to the State Bank of Pakistan attaching a copy of the relative letter of credit authorising State Bank of Pakistan to make payment under the letter of credit as and when due by debit to the Government of Pakistan's account (Head of Account to be indicated in the authority letter).

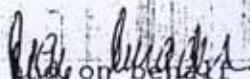
costs arising in connection with the disbursement of the Loan.


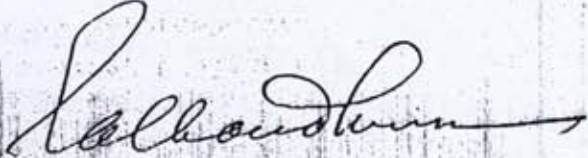
- b) The Borrower shall bear all taxes and other public charges accruing in connection with the conclusion and implementation of this Agreement outside Pakistan.
- c) ~~The Borrower shall not assign or transfer,~~ pledge or mortgage any rights under this Agreement.
- d)
 - i) the expatriates coming under this agreement will get concession under the existing Governments rules in this regard.
 - ii) the project construction equipment and other project goods which will be subsequently re-exported will get temporary importation facility against project pass book.
 - iii) the duties and taxes on the imported project equipment and goods which will be retained in Bangladesh permanently shall be paid by the implementing agency in Bangladesh.

ARTICLE - VIII

The modus-operandi for disbursement and repayment of the credit is contained in Annexure attached.

DONE at Islamabad on 13th October, 1988 in two original, in English language both being equally authentic.


For ~~the~~ on behalf of the
President of Islamic
Republic of Pakistan



For and on behalf of the
Peoples' Republic of
Bangladesh

signing of this Agreement, the amount of principal/interest due shall be adjusted in such a way that the value of the amount receivable by the Government of Pakistan expressed in terms of SDR remains the same.

- VI. In case the SDR unit ceases to exist, both the contracting parties shall meet in order to establish another mechanism for safeguarding them against losses resulting from fluctuations in the international money market.

ARTICLE - IV

The authorised importing agency of the Government of Bangladesh will make arrangements for insurance of the items purchased by them against hazards incidental to transportation of the goods from ports in Pakistan to ports in Bangladesh,

ARTICLE - V

All disputes arising from this agreement which has not been settled by agreement of the parties shall be submitted to arbitration in Pakistan under the laws of Pakistan.

ARTICLE - VI

The proceeds of this loan can also be utilized by the borrower on the use of Pakistani consultancy and technical services if so desired by the borrower.

In such cases the technical/consultancy fee will be paid to the supplying company as agreed in the individual contract, but the local expenses will be met by the end-users.

Terms and conditions for providing consultancy/technical services would be negotiated and settled between the buyers and sellers.

ARTICLE - VII

Miscellaneous Provisions:

- a) The Borrower shall make all payments under this Agreement without any deduction for taxes, other public charges, or other costs and shall pay any transfer and conversion

ARTICLE - III

Repayment of the credit utilized for purchase of machinery and equipment etc. shall be made on the following conditions:-

- I.
 - (a) Down Payment : Nil
 - (b) Repayment period : 12 years (24 equal half yearly instalments) excluding grace period.
 - (c) Grace period : 3 years.
 - (d) Repayment of Principal : First instalment of principal amount will fall due 36 months after the date of first shipment against respective individual contract. Further instalments shall be paid on bi-annual basis.
 - (e) Service Charges : 2% per annum on the amount of credit drawn and remaining outstanding.
 - (f) Payment of Service Charges : Service charges will be payable bi-annually in arrears from the date of drawal under the credit. During the grace period Borrower will pay service charges on 1st January & 1st July.

II. The service charges shall be computed on the basis of a 360 day year and 30 day month.

III. Repayment of the credit shall be in US\$

IV. In case the payment is not made by Borrower on due dates, service charges will be payable on the outstanding amount of principal/service charges with effect from the day following the due date to the date preceding the day of actual payment @ 1% above six months US\$ LIBOR as quoted by Barclays Bank, London on due date of payment at 11 A.M. G.M.T.

V. If on the date on which repayment of any portion of the principal/service charges is due under this agreement, the value of US \$ in terms of SDR has changed by 3% or more either way as compared to the base value on the date of