

No. 3537

**UNITED STATES OF AMERICA
and
PAKISTAN**

**Agreement on United States aid under Chapter 3 — Defense
Support — of Title I in the Mutual Security Act of 1954.
Signed at Karachi, on 11 January 1955**

Official text: English.

Registered by the United States of America on 26 September 1956.

**ÉTATS-UNIS D'AMÉRIQUE
et
PAKISTAN**

**Accord relatif à l'aide américaine accordée en vertu du
chapitre 3 (Aide pour la défense) du titre I de la loi de
1954 relative à la sécurité mutuelle. Signé à Karachi,
le 11 janvier 1955**

Texte officiel anglais.

Enregistré par les États-Unis d'Amérique le 26 septembre 1956.

No. 3537. AGREEMENT¹ BETWEEN THE GOVERNMENT OF PAKISTAN AND THE GOVERNMENT OF THE UNITED STATES OF AMERICA ON UNITED STATES AID UNDER CHAPTER 3—DEFENSE SUPPORT—OF TITLE I IN THE MUTUAL SECURITY ACT OF 1954. SIGNED AT KARACHI, ON 11 JANUARY 1955

The Government of the United States of America and the Government of Pakistan,

In order to contribute further to the development of Pakistan's capacity to maintain its independence and security, in a manner which will assist the people of Pakistan in strengthening the economy of their country as a sound basis for a strong democratic society, and

In order to provide the basis upon which the Government of the United States is prepared to extend defense support assistance to the Government of Pakistan,

Have agreed as follows :

Article I

The Government of the United States will, subject to the requirements and conditions of any applicable United States legislation and to the availability of funds for this purpose, furnish to the Government of Pakistan such commodities, services or such other assistance as may be requested by it and authorized by the Government of the United States. The two Governments will, from time to time and as necessary, negotiate detailed arrangements to carry out the provisions of this Agreement.

Article II

For the period ending June 30, 1955, the Government of the United States is prepared to allocate about Sixty Million Dollars (\$60,000,000) for the furnishing of assistance under this Agreement, provided that the two Governments agree on the content of such a program in time to obligate such funds within the periods during which they will be legally available for this purpose. Future allocations of funds by the United States for assistance requested by Pakistan may be made in accordance with this Agreement and subject to the availability

¹ Came into force on 11 January 1955, upon signature, in accordance with article VIII.

of funds for this purpose; the Government of the United States will notify the Government of Pakistan of any such allocations. The two Governments will cooperate to assure that any procurement under this program will be carried out at reasonable prices and on reasonable terms, and in order to achieve the greatest benefit from the assistance will agree on terms and conditions for the distribution and use within Pakistan of items and services which may be made available under this Agreement.

Article III

A. In order to assure maximum benefits to the people of Pakistan from assistance furnished under this Agreement, the Government of Pakistan will continue to use its best endeavors :

1. To assure efficient use of all resources available to it and to promote the economic development of Pakistan on a sound basis;
2. To assure that the commodities and services obtained under this Agreement are used exclusively for the purposes for which furnished;
3. To foster and maintain the stability of its currency and confidence in its economic condition; and
4. To take measures insofar as practicable, and to cooperate with other countries, to reduce barriers to international trade and to prevent, on the part of private or public enterprises, business practices or business arrangements which restrain competition or limit access to markets, whenever such practices hinder domestic or international trade.

B. The Government of Pakistan will :

1. Join in promoting international understanding and good will, and maintaining world peace;
2. Take such action as may be mutually agreed upon to eliminate causes of international tension;
3. Make, consistent with its political and economic stability, the full contribution permitted by its manpower, resources, facilities and general economic condition to the development and maintenance of its own defensive strength and the defensive strength of the free world;
4. Take all reasonable measures which may be needed to develop its defense capacities; and
5. Take appropriate steps to insure the effective utilization of any assistance provided by the United States in furtherance of the purposes of such assistance.

Article IV

The provisions of this Article shall apply with respect to assistance which may be furnished by the Government of the United States of America on a grant basis :

1. The Government of Pakistan will establish in its own name a Special Account (referred to below as the "Special Account") in the State Bank of Pakistan. The Government of Pakistan will deposit in this account amounts of local currency at least equivalent to the dollar cost to the Government of the United States of all commodities, services, and other assistance furnished pursuant to this Agreement. It is understood that such deposits by the Government of Pakistan shall be made not later than forty (40) days after notification has been given to the Government of Pakistan by the Government of the United States that there has been disbursement of funds for commodities or services furnished to the Government of Pakistan pursuant to this Agreement, except that with regard to the disbursement of funds for goods not intended for sale the Government of the United States may defer the date of deposit of equivalent local currency beyond the specified forty days.

2. It is understood, further, that in the event that there are any sums accruing to the Government of Pakistan, or to any of the States or Provinces of Pakistan from the sale of any commodities, services, or other assistance supplied under this Agreement, or otherwise accruing to the Government of Pakistan or the States or Provinces of Pakistan as a result of the import of such commodities or services, then the amounts deposited in the Special Account shall not be less than the total of any such sales proceeds, provided, however, that computations of and adjustments on such sales proceeds shall be made every six months. Representatives of the two Governments will promptly agree upon necessary reasonable accounting procedures for arriving at aggregate accruals for the purposes of this paragraph. It is understood, further, that the sums accruing from any such sale shall include import duties imposed and collected by any agency of the Government of Pakistan or any of its constituent states. The Government of Pakistan may at any time make advance deposits into the Special Account.

3. The rate of exchange to be used for the purpose of computing the rupee equivalent to be deposited under paragraph 1 of this Article, shall be the par value at the time of notification for the Pakistan rupee agreed with the International Monetary Fund, provided that this par value is the single rate then applicable to the purchase of dollars for commercial transactions in Pakistan. If there is no agreed par value or if there are two or more effective rates that are not unlawful for the purchase of dollars for commercial transactions the particular rates used shall be those effective rates (including the amount of any exchange tax, surcharge, bonus, or value of any exchange certificate) which, at the time of deposit, are applicable to the purchase of other dollars for similar imports.

4. Drawings upon the Special Account shall be made by mutual consent. Such drawings will be made for programs in furtherance of the objectives of this Agreement, as may be from time to time agreed between the two Governments. The Government of Pakistan will make available to the Government of the United States such amounts (but not to exceed five percent) of the deposits made into the Special Account as may be requested from time to time by the Government of the United States for any of its expenditures in Pakistan, including its administrative and operating expenditures in Pakistan in connection with any assistance supplied by the Government of the United States to the Government of Pakistan under this Agreement. Any unencumbered balance of funds which may remain in the Special Account upon termination of assistance under this Agreement shall be disposed of as may be agreed between the two Governments.

Article V

1. Any assistance furnished under this Agreement on a loan basis shall be made available subject to the terms of separate agreements to be arranged between the Government of Pakistan and the Export-Import Bank of Washington, an agency of the United States.

2. In the period ending June 30, 1955, it is agreed that of the amount referred to in Article II about Twenty Million Dollars (\$20,000,000) shall be made available on loan terms for the development of Pakistan's economic strength.

Article VI

The Government of Pakistan will receive persons designated by the Government of the United States to discharge the responsibilities of the latter Government under this Agreement and will permit continuous observation and review by such persons of programs of assistance under this Agreement, including the utilization of any such assistance. The Government of Pakistan will cooperate in facilitating the discharge of these responsibilities by such persons, and will provide the United States with full and complete information relating to programs under this Agreement, including statements on the use of assistance received. Upon appropriate notification by the Government of the United States, the Government of Pakistan will accord such persons and accompanying members of their families, except as may otherwise be mutually agreed, the privileges and immunities specified in paragraphs 4 and 5 of the 1954 Supplementary Program Agreement for Technical Cooperation and Economic Assistance between the two Governments, signed at Karachi on December 28, 1953.¹

¹ United Nations, *Treaty Series*, Vol. 222, p. 410.

Article VII

The Government of Pakistan will so deposit, segregate or assure title to all funds allocated to or derived from any program of assistance undertaken by the Government of the United States so that such funds shall not, except as may otherwise be mutually agreed, be subject to garnishment, attachment, seizure or other legal process by any person, firm, agency, corporation, organization or government.

The Government of Pakistan will permit and give full publicity to the objectives and progress of the program under this Agreement and will make public each quarter full statements of operations under it, including information as to the use of funds, commodities and services made available under the Agreement.

Article VIII

1. This Agreement shall enter into force upon signature and shall remain in force until ninety days after the receipt by either Government of written notice of the intention of the other Government to terminate it, except that arrangements for repayment of loans pursuant to Article V shall remain in force on their own terms.

2. The two Governments will consult at any time at the request of either of them on any matter relating to the application or amendment of this Agreement.

3. This Agreement is complementary to existing agreements between the two Governments and is not intended to supersede or modify them.

DONE at Karachi in duplicate in the English language, this 11th day of January, 1955.

For the Government
of the United States of America :

HORACE A. HILDRETH
Ambassador of the
United States of America
in Pakistan

[SEAL]

For the Government
of Pakistan :

MOHAMAD ALI
Minister for Finance and
Economic Affairs

[SEAL]