

Memorandum on the allocation of the external debt of
Pakistan

The Division of Commerce of the Federal Department of Public Economy has received through the intermediary of the Embassy of Switzerland in Pakistan a "Summary statement showing the position of Swiss credits used in East Pakistan", dated February 13, 1974, and submitted by the Economic Affairs Division of the Government of Pakistan.

The Government of Switzerland wishes to emphasize that it is not a member of the Pakistan Consortium of the IBRD and does therefore not take part in the deliberations and decision making of this group. However, it follows its meetings as an observer. The agreements reached between the member countries of the Pakistan Consortium and the Government of Pakistan should thus not be considered as governing unconditionally the discussions of similar matters between the Government of Switzerland and the Government of Pakistan. Nevertheless, in the negotiations leading to the conclusion of the agreements between the Government of Switzerland and the Government of Pakistan on the consolidation of Pakistan debts of July 30, 1973, and February 25, 1974, the Government of Switzerland was inspired by the recommendations of the Pakistan Consortium on the volume and the conditions of the debt relief. Having regard to the allocation of the external debt of Pakistan between Pakistan and Bangladesh and other matters currently under consideration by the Pakistan Consortium, the Government of Switzerland wishes to stress that it will consider sympathetically the recommendations of the Pakistan Consortium as far as they will be consistent with the constitutional and legal provisions prevailing in, and the policy applied by, Switzerland in the respective fields. As re-

gards the allocation of the external debt of Pakistan, the Government of Switzerland is prepared to enter into negotiations with the Government of Pakistan and the Government of Bangladesh on the basis of the principles set out in the Agreed Minute of the meeting of the Pakistan Consortium dated July 31, 1973.

Applying these same principles to the "Summary statement showing the position of Swiss credits used in East Pakistan" submitted by the Economic Affairs Division on February 13, 1974, the Government of Switzerland takes the following view:

CIBA supplier credits for commodity imports

In Paragraph 4 a of the Agreed Minute of the meeting of the Pakistan Consortium dated July 31, 1973, the representatives of the member countries of the Pakistan Consortium agreed "between now and July 1, 1974, to seek vigorously to persuade the Government of Bangladesh to assume, as a minimum, liability for debts arising from all projects visibly located in Bangladesh". The Government of Switzerland, therefore, is of the opinion that liabilities for debts resulting from private commodity credits under which goods may have been directly or indirectly shipped to Bangladesh remain with the original debtor, subject only to other arrangements between the creditor and the original debtor.

1st Swiss transfer credit to Pakistan of 1964 and 1967

After due examination of the data contained in the "Statement showing the position respecting Swiss loans used in East Pakistan", submitted by the Economic Affairs Division on February 13, 1974, the Government of Switzerland will be prepared to request the Government of Bangladesh to enter into negotiations on the assumption of liabilities arising from projects visibly

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located in Bangladesh. In the meantime and pending any final settlement of the allocation, assumption and servicing of this credit, the Government of Switzerland and the Swiss bank group having financed in full the 1st Swiss transfer credit to Pakistan of 1964 and 1967 expect that Pakistan will continue to service in accordance with original contractual commitments any project type debt resulting from the 1st Swiss transfer credit although Pakistan may consider it to be the liability of Bangladesh.

February 27, 1974