CONSULTATION UNDER ARTICLE XII: 4(b) WITH
PAKISTAN

Basic Document prepared by the Secretariat

I. SYSTEM AND METHODS OF THE RESTRICTIONS

(a) Legal Basis of the Restrictions

Import control was first introduced in May 1940 under the Defence of India Rules, and the principal purpose at that time was to limit non-essential imports so as to enable the importation of products essential to the prosecution of the war. After Independence in August 1947 and until 1948, Pakistan continued the system and policy adopted during the war. From 1948 import restrictions were maintained under the authority of the Imports and Exports (Control) Act, 1947, supplemented by the Imports and Exports (Control) Ordinance, 1950.

These were repealed in April 1950 with the adoption of the Imports and Exports (Control) Act of 1950, which is the statutory basis of the import restrictions now in force in Pakistan. Under the Act the Government is vested with the power "to prohibit, restrict or otherwise control the import and export of goods of any description, or regulate generally all practices (including trade practices) and procedures connected with the import and export of such goods ..." The text of the Act of 1950 is attached (Annex I).

As reflected in the preamble to the Act, import control and restrictions were conceived as measures of expediency and the power to apply them was given for a limited period only. The Act was to be in force for three years. By subsequent Acts (the Imports and Exports (Control) (Amendment) Acts, 1953 and 1956), however, the validity of the Act of 1950 has been extended, and will remain in force until 19 April 1962.

All imports into Pakistan are therefore subject to control by the Central Government which has authority to designate the commodities that may be imported, the sources from which they may be imported and the amount of foreign exchange which may be allocated for payment.

Under the authority of the Act of 1950 the Government issues Orders which are published in the official Gazette laying down the procedures and other regulations connected with import control. Half-yearly import policies and other instructions regarding imports are issued in the form of Public Notices by the Ministry of Commerce or the Chief Controller of Imports and Exports. These Public Notices are also published in the Gazette.

(b) Administration of the Restrictions

Administrative authorities: The Imports and Exports (Control) Act of 1950 is administered by the Ministry of Commerce.
Under the sponsorship of the Ministry of Commerce there is a Central Ceilings Committee, which is composed of representatives of the Ministries of Commerce, Finance and Industries and other Ministries, such as those for Food and Health, which have an interest in the import policy. The function of the Committee is to allocate the foreign exchange available for commercial imports among different classes or items of imports and to allocate the ceilings thus set among the three regions (Karachi, East Pakistan and West Pakistan). In working out the general and regional ceilings the Committee also consults representatives of the Provincial Governments.

Under the Ministry of Commerce there is a Chief Controller of Imports and Exports whose office is in Karachi. As a measure of decentralization there have recently been appointed two regional Controllers with offices located at Lahore in West Pakistan and Chittagong in East Pakistan. The Chief Controller presides over a Licensing Board on which the Ministries of Finance and Industries are represented, and the regional Controllers preside over similar Licensing Boards which include representatives of the Provincial Governments. These Licensing Boards decide on the issue of licences for imports into the Federal Capital Area of Karachi, the Provinces of West Pakistan and East Pakistan respectively.

Registration of Importers: Under the Registration (Importers and Exporters) Order of 1952, made under the provisions of the Imports and Exports (Control) Act of 1950, all importers (as well as exporters) must register themselves with the Chief Controller of Imports and Exports before they are permitted to engage in trade. The Order gives the Chief Controller of Imports and Exports power to authorize the inspection of documents, premises, accounts, etc., of any importer applying for registration. It also empowers him to cancel the registration of any importer if the prices at which goods are sold are found to be higher than the prices published by the Government from time to time. The Order also establishes minimum percentages of Pakistan nationals to be employed by a firm, and other regulations aimed at ensuring fair employment opportunities for them.

In addition registration may be refused or, if granted, cancelled for any of the following reasons:

(i) for contravening any regulation relating to the import, export or foreign exchange control;

(ii) for under-invoicing or over-invoicing the value of imports or exports;

(iii) for selling, transferring or violating the conditions of an import or export licence;

(iv) for attempting to obtain a licence by fraud;

(v) for evading payment of dues to the Government;

(vi) for committing any trade practice which in the opinion of the Chief Controller is detrimental to the public interest.
Classification of Importers: For the purposes of licensing importers may be divided into three groups:

(1) "Commercial Importers" are those who are registered as such, and are eligible for licences to import defined products or products or groups of products. Each importer in this group is "categorized" in the sense of being assigned a reference quota on the basis of the value of his imports in a past representative period.

(2) "Industrial Consumers" include factories, cottage industries of specified size and industrial cooperatives. These importers are eligible for licences to import basic raw materials, machinery and other mechanical equipment and spare parts for the maintenance and replacement of industrial machinery.

(3) "New-comers" are those importers who are not already established either as industrial consumers or as commercial importers (except those whose imports are no longer licensable). Such importers are permitted to import products on a special list. A person wishing to qualify as a new-comer for this purpose must be a citizen of Pakistan, permanently residing with his family and preferably owning immovable property and having investments in the country. Preference is given to those who are engaged in the internal trade of the items in question, those established commercial importers whose imports are no longer licensable, those who are exporters of minor commodities or items not covered by the Export Promotion Scheme, those importers who had effected imports prior to July 1950, and those who import from countries having bilateral trade agreements with Pakistan.

In addition, licences may be issued to traders who may or may not belong to any of these groups, for imports under a special scheme (e.g., the Export Promotion Scheme or the Export Industries Special Licensing Scheme) or when a request for the import of a particular item for the personal or professional use of the applicant is considered by the licensing authorities to be reasonable or justified.

Public Notices and Information: Section 3(1) of the Imports and Exports (Control) Act, 1950 provides that Orders issued to effect control and restrictions must be published in the official Gazette. For the information and convenience of the public, the Ministry of Commerce and the Chief Controller of Imports and Exports issue from time to time Public Notices setting out the import policy to be followed in a given licensing period or informing the public of new opportunities or schemes for imports. (Some of the Public Notices are annexed to this document and will be referred to in the next section).

The "basis of licensing" for each shipping period is published on the notice boards at the offices of the Chief Controller and Controllers, and printed in the Weekly Bulletin of the Director-General of Supply and Development.
Exchange Control on Import Payment: Payments for imports may be made only against shipping documents submitted to the State Bank or its agents. The import licence and exchange control permit are separate documents, but foreign exchange is automatically granted upon presentation of the Exchange Control copy of the import licence to the exchange bank. Advance payments may be made only in the case of certain capital goods where, upon satisfactory documentation, approval has been obtained for an advance payment of not more than one third of the c. & f. value of the import.

(c) Methods used in Restricting Imports

All imports are subject to licence, except goods imported by the Central Government for defence purposes, goods for which orders are placed directly by the departments of the Central Government, certain goods imported over the land route from Iran and Afghanistan and certain other types of imports, such as passengers' baggage, specified in a Notification (No. 335/26/24 of 12 June 1951) by the Ministry of Commerce.

Periodically, normally twice a year, an overall foreign exchange budget is formulated by the Central Government in the light of expected foreign exchange earnings, availability of foreign aid and the level of monetary reserves. It covers both governmental and private imports as well as other external expenditure. The total foreign exchange thus made available for private imports is referred to as the "total commercial ceiling" and is allocated among the various imports. Commercial imports are admitted under several different procedures, viz. (1) imports by established commercial importers and industrial consumers, (2) imports by "new-comers", (3) imports under the Export Industries Special Licensing Scheme, (4) imports under the Export Promotion Scheme, and (5) individual licensing.

(1) By far the greater proportion of private imports is effected under licences issued to established commercial importers and industrial consumers. For the purpose of licensing such imports, the Central Ceilings Committee (on which, as stated previously, various Ministries and the Provinces are represented) draws up a licensing policy for each shipping period (i.e., each half calendar year) which lists the items that may be imported. The licensing policy, together with the importable goods list, is normally published in the Gazette in the form of a Public Notice. The Committee also determines the ceilings (i.e., global quotes) for the individual items or groups of items and the share of each region in the light of the essentiality of the products, their availability within the country during the period in question, internal productive capacity and other relevant considerations. On the basis of the ceilings thus set for each region, licences are issued by the three Licensing Boards in accordance with the general principles laid down and any special instructions that may be given by the Ministry of Commerce, to commercial importers and industrial consumers:

(i) In the case of commercial importers each importer is assigned a "category" (reference quote) representing his imports in a previous representative period (at present, the "category" of an importer represents his average imports in the five licensing periods from 1 July 1950 to 31 December 1952). On the basis of the ceilings
set by the Central Ceilings Committee and the "categories" given to importers, the Licensing Boards determine a "basis of licensing" for each item expressed as a percentage of the importers' "categories". These bases of licensing are published by the Licensing Boards, and licences are issued accordingly to the importers without individual application.

(ii) In the case of industrial consumers, licences are issued on the basis of applications lodged for the licensing period January–June 1956. New applications for licences are considered on their merits. It is expected that when the Industrial Survey, which has been undertaken to assess the productive capacity, capital equipment and raw material requirements, etc. for each factory (or other production unit), is completed it will be possible to establish quotas for industrial consumers in the same manner as "categories" are set for commercial importers.

The import policy for the shipping period July–December 1957, together with the list of importable items, is set out in a Public Notice which is attached to this document as Annex II. The items in that list which can be licensed only to industrial consumers have been marked with asterisks. It is also stated therein that further notices may be issued if the Government considers it necessary to issue licences for any items not included in the list. Such supplementary lists are announced when there is an urgent need for certain additional imports or when there is need to accommodate imports under trade agreements concluded after the import policy is announced.

(2) Under the recently instituted scheme for "new-comers", persons or firms fulfilling prescribed conditions (see "classification of importers" in section (b) above) may apply for licences to import items which are specified in this connexion. The purpose of this disposition is to enable people who are at present not established importers and especially those who were once importers but whose items are not longer licensable, to participate in the import trade. In this case obviously the importers cannot be "categorized" on the basis of past imports, and at least for the initial period, applications have to be considered individually on their merits. Annex III contains the Public Notices setting out the conditions and list of products which can be imported by such "new-comers".

(3) In addition to their entitlement as industrial consumers under the half-yearly import policy, industrial exporters are provided with certain facilities for the import of an extensive list of raw materials and certain packing materials not produced in Pakistan for the manufacture and packing of goods for export. This "Export Industries Special Licensing Scheme", which has been recently announced by the Government, applies to (1) established industrial importers and (2) other manufacturers who can satisfy the Government of their ability to export their products if the materials were made available to them.

(1) For established industrial importers, special advance licences are given under this scheme for the import of specified raw materials and packing materials required by them for manufacturing or packing some forty-five products or groups of products which are specified in a list. The granting of such advance licences is subject to the condition that the manufacturer will export the goods according to a previously determined ratio to the value of the licences issued.
For firms already exporting the goods, only exports which exceed their maximum exports during any of the last three licensing periods will be taken into account in the calculation. Generally, the exports must take place within six months from the date of issue of the import licence. The granting of licences to an established industrial consumer under the normal ceilings is not to be affected by his receipt of any licences under this scheme, but in case of non-fulfilment of the export requirement the corresponding value of the import licence issued under this scheme will be charged against the importers' entitlement under the normal import policy.

(ii) For manufacturers who are not established industrial consumers, licences are issued, in the case of Karachi, to the Small Industries Corporation and, in the case of the two Provinces, to the regional Directors of Industries. The Corporation and the two Directors will import the materials on behalf of small manufacturers under guarantees by the latter to export the finished products within six months of the date of receipt of the imported materials. In case of failure to fulfil the commitment to export, action will be taken against the manufacturer in accordance with the guarantee given.

The Public Notices setting out the scheme, the exports and imports covered, and certain amendments to the rules and the list of products, are attached as Annex IV.

(4) Under the "Export Promotion Scheme", exporters of certain goods, the export of which the Government considers it is in the interest of the country to promote, are given import licences corresponding to a percentage of their foreign exchange receipts. Exporters of some thirty-three minor primary commodities are entitled to receive import licences up to 15 per cent of their export earnings for the import of any of fifty-eight items of relatively essential materials and consumer goods; exporters of thirty-five manufactured goods are entitled to import licences up to 25 per cent of their export earnings for the import of machinery, raw materials or packing materials which are specified with respect to each export item; and for another twelve export manufactured goods, entitlements at the rate of 40 per cent of the earnings are accorded to exporters under similar conditions.

Annex V is the Public Notice announcing the continuation of the scheme, together with certain amending Notices.

(5) Apart from the different regular or special licensing schemes described above, applications for individual licences to import particular products for the applicants' own use, or for emergency replacement of parts and machinery are favourably considered by the licensing authorities if justified.

(d) Categories of Goods Affected

The products for which licences are being issued are listed in the appropriate schedules contained in the Public Notices annexed to this document (see Annexes II to V). The permitted imports for established commercial importers and industrial consumers include 214 items, and consist principally of essential industrial materials and equipment as well as certain essential consumer goods. Over 200 items of essential materials are covered by the Export Industries Special Licensing Scheme. The "new-comers" programme permits the import of thirty-one manufactured products, including both essential equipment and certain consumer
goods. The Export Promotion Scheme enables the import of a considerable number of essential materials, equipment and certain consumer goods. Apart from these imports and certain goods exempted from licensing control (see section (c) above), all other imports are not being permitted.

The import policy being pursued by the Government of Pakistan clearly has a bias in favour of industrial need. Although the import of all goods is to some extent restricted, the incidence of the restrictions is less severe on essential consumer goods (such as fuel and medicine), raw materials, machinery and equipment as compared with less essential consumer goods. It is difficult to specify the products or groups of products which are adversely affected by the restrictions. In the view of the Pakistan Government the elimination of import restrictions would result in the import of a number of products which are not being admitted and in an increase to a varying extent in the quantity of other imports. Products the domestic demand for which is not fully met by production and imports as permitted under the present import control scheme are principally in the group of luxury articles and less essential consumer goods. Certain goods which are being produced locally in sufficient quantities, e.g. matches, cycle tyres, woollen fabrics, razor blades, are also not on the import list for the current shipping period.

(e) Proportion of Imports under different programmes of importation

Figures for Government imports are not published. The schemes for "new-comer" imports and special licensing for export industries have come into being only recently. The following table shows the available data relating to commercial imports:

<table>
<thead>
<tr>
<th>Policy or Scheme</th>
<th>1954</th>
<th>1955</th>
<th>1956</th>
<th>1st half 1957</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial imports</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>including imports both by &quot;Commercial importers&quot; and &quot;industrial consumers&quot;.</td>
<td>975</td>
<td>1056</td>
<td>1081</td>
<td></td>
</tr>
<tr>
<td>Commercial imports on Government account.</td>
<td>104</td>
<td>57</td>
<td>224</td>
<td></td>
</tr>
</tbody>
</table>

(f) Treatment of Imports from different countries or Currency Areas

Except in the case of small amounts provided under certain bilateral trade agreements, licences issued are non-discriminatory as between sources of supply; they are valid for import from all countries of the world.

Trade agreements concluded with France, Germany, Italy and Japan provided in the past for the issue of single country licences when the other party as purchaser of cotton exceeded a specified quantity, but this provision has since been discontinued in the agreement with the Federal Republic of Germany, and the agreement with Italy has also not been renewed. Such single country licences cover only a negligible part of the import trade. In the current import programme provision has been made only for single country licences for imports from France, with which the trade agreement has been extended until 30 September 1957 and from Japan.
Trade agreements, not involving bilateral quotas are, however, in force with a number of countries.

Annex VI gives the list of trade agreements concluded by Pakistan up to 30 June 1957.

(g) The Use of State-Trading or Governmental Monopoly in Imports and the Restrictive Operation of such Regimes

As stated above, Government purchases abroad at present are of considerable size, accounting for some 20 to 30 per cent of total import expenditure. State trading for ordinary purposes is, however, limited to certain essential foodstuffs (i.e., sugar, wheat and rice) and coal and in each case is for the purpose of ensuring equitable marketing and adequate supply at reasonable prices to the local population. The following table shows the value of such imports in recent years (excluding imports under US surplus commodity agreements).

<table>
<thead>
<tr>
<th>Commodity</th>
<th>1954</th>
<th>1955</th>
<th>1956</th>
<th>1957 estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sugar</td>
<td>47</td>
<td>-</td>
<td>41</td>
<td></td>
</tr>
<tr>
<td>Food grains</td>
<td>-</td>
<td>-</td>
<td>120</td>
<td></td>
</tr>
<tr>
<td>Coal</td>
<td>58</td>
<td>58</td>
<td>63</td>
<td></td>
</tr>
</tbody>
</table>

(h) Measures taken in recent years

Before discussing the measures which have been taken in the last two years it may be useful to describe briefly the history and general background of the import control policy.

Following Independence, Pakistan was faced with acute shortages of consumer and other goods and substantive liberalization measures were taken in January, May and August 1948. Such liberalization had been made possible also by improvements in the foreign exchange earnings. By August 1948 the majority of articles imported into Pakistan had been placed on open general licence.

The decision of Pakistan to maintain the value of the Pakistan rupee despite the devaluation of sterling and related currencies compelled a reconsideration of this liberal import policy. Consequently, the open general licence was suspended as from 1 October 1949. After that date Pakistan's licensing policy again continued to be liberalized through the extension of the licensing scheme. The framework of the system of import control as it exists now was established with the adoption of the Imports and Exports (Control) Act of 1950.
The substantial fall in world prices of Pakistan's exports, combined with a liberal import policy and unfavourable weather conditions, produced a heavy deficit on the balance of payments in 1952 and it became imperative that Pakistan should severely curtail the expenditure of foreign exchange. Open general licences were reduced in scope in August 1952 and finally withdrawn in November 1952. Stringent control of import licensing has more or less continued since that time.

In 1953 the effects of cancellation of the open general licence were alleviated by the issue of import licences in the second half of the year, and the import policy for the first half of 1954 increased the number of importable items. The import policy for the second half of 1954, however, contained a reduced number of licensable items.

From the beginning of 1955 the distinction between dollar and non-dollar import licences was abolished; except for a few items subject to bilateral commitments licences were to be valid for imports from all sources. The import policy for the first half of the year provided for more imports both in terms of the number of items permitted (311 compared with 144 in the previous period) and in terms of the value of total quotas granted. The restrictions were somewhat tightened in the second half of 1955 when the number of importable goods was reduced to 150. In August the Pakistan rupee was devalued by 30 per cent and was thus brought into line with other sterling area currencies which had been devalued in September 1949. In the import programme for the first half of 1956, the number of permitted items was increased to 211. In the second half of 1956 this was reduced to 207. During the year the balance of payments deteriorated considerably; a surplus of Rs. 180 million accumulated in the first half year was almost used up in the second half owing to extra expenditures incurred in the purchase of food grains.

In the programme for the first half of 1957 the number of items to be imported was further reduced, again due to large amounts of foreign exchange being allocated for the import of food grains. The total allocation of foreign exchange for imports was, however, larger than it had been during the previous shipping period. Adjustments were made to ensure increased imports of certain essential items.

The general pattern of the import policy for July-December 1957 has been broadly the same as that for the previous shipping period, with the number of licensable items slightly increased from 193 to 214. Two minor items in the textile manufactures group, together with another item, have been deleted while the following items have been added:

- Fire-arms
- Sulphuric acid
- Pressure lamps
- Hair clippers
- Enamelled ironware other than domestic
- Musical instruments
- Long-playing gramophone records
- Plants, vegetable and flower seeds
- Linseed oil
- Sago
- Fents
- Buttons (special type)
- Smoker's requisites
- Tricycles for children
- Mechanical and educational toys
- A small provision has been also made for the import of brood-mares.
II. EFFECTS OF THE RESTRICTIONS ON TRADE

In preparation for the discussion of the various subjects listed in Part IV of the Plan for the Consultation, the Government of Pakistan has supplied certain information concerning the effect of the restrictions on trade and local industries. This Part of the Document has been drawn up on the basis of that information and represents the views of the Pakistan authorities.

The general purpose of the import control and restrictions in force in Pakistan is to reserve the largest proportion of the country's foreign exchange earnings for the import of essential supplies, in particular raw materials for industries, replacement and spares of plant and machinery, capital goods and essential consumer goods. With this purpose in view, luxury articles generally cannot be imported, although imports of small quantities of certain goods in this category are permitted.

Shortage of foreign exchange is acute and the resources available are not even adequate for meeting essential requirements of the country. It is therefore imperative to derive the maximum value from existing industrial capacity and to divert the use of foreign exchange to the best advantage. Licences are not thus issued in some shipping periods, especially in periods when large quantities of food grains had to be imported due to unforeseen development, for the import of some items which are produced in reasonably adequate quantities in Pakistan and for which the demand is therefore fully or partly met.

In the import programme, for the two shipping periods of 1957, for example, certain items, such as metal lamps, hair clippers, enamelled ironware, medicated soap and soap-flakes, buttons, razor blades and woollen fabrics, which are being produced in sufficient quantities within the country, have been taken off the permitted imports list. Recently, the Government has decided to set up a committee to examine the question of replacing imports by indigenous production as far as possible. It has also been decided to set up a high level committee consisting of the Secretaries of Commerce, Industries and Finance, to review the question of imports of petroleum oils and lubricants. The import of these items has been going up despite increasing use of Sui gas by major industrial consumers. It has been considered desirable to limit the import of fuel oils and to substitute indigenous gas and coal to the maximum extent possible.

It may be stressed that this effected or contemplated reduction or limitation of imports is basically aimed at conserving foreign exchange, so as to enable increased imports of other goods which could not be produced locally. Admittedly, certain protective effects are always unavoidable especially when import restrictions have been maintained for a considerable period of time. The Government of Pakistan, however, is fully aware of the desirability of limiting the development of industries which in the long run cannot attain a status of economic production; it is aware that it would not be in the interest of the country if uneconomic production should be allowed to expand.
That this is so may be seen from the fact that when taking certain items off the importable list the Government has often warned trade and industry not to take undue advantage of such action to raise prices of the products in question; if this should in fact happen the Government would proceed to take corrective measures.

Furthermore, the development of new industries is carefully watched and controlled by the Government, which has at its disposal effective means for preventing any expansion which is not in the long-term interest of the country. When, for example, under the present import policy, textile goods are not admitted in substantial quantities, unauthorized expansion of local textile production is prevented by the control on imports of textile machinery; the import of looms is not permitted in the current shipping period.

The import policy has therefore been administered with due attention to the need and conditions of the country for industrialization and economic development. Within the limits of the Government's reserves and of the necessity of the national interest to maintain existing productive capacity at its maximum level, every effort has been made to speed up the industrial developments on an economical basis. The import policy of the Government has been to give preference to those industries which consume locally produced raw materials. More stress is also being laid on the development of agriculture.

The principal means of affording protection to local industries at the early stages of their development, however, is the customs tariff, and not quantitative restriction. Requests by industries for protection are considered by the Tariff Commission, on the basis of whose recommendations appropriate action is taken by the Government. It should be noted that in its past recommendations the Commission has often emphasised the desirability of preserving the competitive element in the domestic market and of not entirely preventing the entry of like products of foreign origin, so that local producers would find it necessary both to maintain prices at reasonable levels and qualities comparable to world standards.

The following extracts from the Reports of the Tariff Commission on (i) the Canvas Shoe Industry and (ii) the Incandescent Electric Lamp Industry are relevant:

Extracts from paragraph 27 of Report of the Tariff Commission on the Canvas Shoe Industry.

"We have seen in paragraph 11, that since July 1951, no licences for the importation of canvas shoes have been granted with the result that there have been hardly any imports of canvas shoes in Pakistan. Although the installed capacity in the country is more than adequate to meet the internal needs, we are nevertheless of the opinion that a total ban on imports is, in the long run, neither in the interest of the consumer nor that of industry. The absence of any competition results in creating a feeling of complacency and dries up the stimulus for
improvement of quality and reduction in prices.... In view of these reasons, we recommend that the total ban imposed on the importation of canvas shoes should be lifted, and that restricted imports of canvas shoes of different qualities should be allowed."

Extracts from paragraph 65(2) of Report of the Tariff Commission on the Incandescent Electric Lamp Industry.

"We further recommend that incandescent electric lamps should remain on the licensable list for all countries as at present, but that some imports should be allowed so as to introduce an element of competition which would tend to keep the prices down to reasonable levels and induce the local manufacturers to make continuous efforts to improve the quality of their lamps".

Due to paucity of foreign exchange it has not been found possible in practice to accept such advices of the Tariff Commission in some cases, as priority for import of an item has to be determined by the extent of its essentiality. It will be clear, however, that as a policy it remains the Government's intention to provide competition to internal products by permitting imports whenever it is possible to do so.

As mentioned in Part I above, the "categories" or reference quotas for individual importers are established on the basis of their actual imports in the five shipping periods to the end of 1952. As most imports during these periods were under Open General Licence (i.e. free from restriction), the allocation of quotas for individual commodities among importers do reflect their relative import capacity. Since the licences are mostly global, all foreign exporters are enabled to enjoy a fair share of the market on a competitive basis. The recently instituted scheme for "new-comers" opens up new channels of trade which should be of interest to countries wishing to gain further foothold in the market.

Licences are usually valid for six months from the date of issue, This gives traders ample time for placing orders. Applications for extension of the period of validity are also entertained in deserving cases.

As the restrictions are administered non-discriminately as between sources of supply, importers are free to seek out the cheapest source available. Thus, such unnecessary damage as would be caused to countries which export on the basis of low-cost and high efficiency production if they were discriminated against, is reduced to the minimum. The Pakistan Government therefore considers that it is doing its best to minimize any unnecessary damage that may be caused by the restrictions to the commercial and economic interests of the countries, particularly the contracting parties to GATT.
III. NOTE ON THE FINANCIAL ASPECTS OF QUANTITATIVE RESTRICTIONS

The following note has been supplied by the Pakistan Government:

1. Pakistan is engaged in the implementation of the First Five-Year Plan for the development of its economy. At the same time, the country has to shoulder a heavy defence burden. As a result of these demands on the external resources of the country, the pressure on the reserves remains so great that in order to maintain equilibrium in its balance-of-payments situation, the country has to ration foreign exchange.

2. The foreign exchange reserves of the country have been at a low level since the end of the Korean boom. Pakistan's exports are of a seasonal character. About 65 per cent of exports take place during October to March. On the other hand, imports take place at a constant rate throughout the year. This necessitates that the reserves should be maintained at a level so that these are able to pay for imports during the slack period of exports. Besides, Pakistan's exports are almost entirely based on agricultural products which are subject to considerable vicissitudes of seasonal factors. Untimely rains, floods, droughts and other adverse weather conditions could adversely affect the export availabilities of the country. Largely on account of adverse weather conditions, the country had during the recent years to import large quantities of food grains. The external demand for agricultural produce has shown considerable variations from year to year. With such an unstable condition of exchange earnings, the country has to maintain an adequate level of monetary reserves so that it is able to sustain the import requirements of its economy during periods when its exports are depressed.

3. In the matter of currency management, Pakistan follows the system of proportionate reserves. Under the State Bank of Pakistan Act, 1956, the State Bank has a statutory obligation to maintain not less than 30 per cent of its assets against the note issue in the form of gold, silver and approved foreign exchange. For some time past, the reserves have been near the minimum statutory requirements. On the other hand, the currency circulation is bound to go up with the implementation of the Five Year Plan and the country will have to restore its foreign exchange reserves to a level which would allow for expansion of the currency consequent to the growth in the economy.

4. Pakistan has incurred considerable external debts, and it has to set apart a sizable portion of its foreign exchange earnings so as to provide for repayment of external loans.

5. The country cannot at present contemplate any extensive relaxation or elimination of import restrictions as this would jeopardize the economy of the country. With the pent-up demand for imported goods, relaxations of import restrictions will only result in the country's importing a high volume of consumer goods at the cost of developmental and defence needs. The only solution for the balance-of-payments difficulties at present faced by Pakistan is to build up its economy. Only by increased production the country can hope to achieve an equilibrium in her balance of payments.
6. While all the alternative measures to restore equilibrium in the balance of payments of the country remain under active consideration of the Government, there is a definite limitation to the adoption of these measures under the conditions obtaining in Pakistan. Monetary action of a restrictive nature may become expedient only if the commercial banks follow an expansionary policy in speculative directions. The lending policy of the commercial banks in Pakistan has always been conservative and the needs of the economy are not being satisfied by the banking system. However in June 1957, the State Bank imposed certain selective credits controls. This has been done as an anti-inflationary measure with a view to checking the hoarding of imported goods and to directing credit to more essential purposes. The banks are now required to limit their advances against imported manufactured goods, bullion, food grains and oil seeds to the extent of 60 per cent of the value of such goods and also to limit unsecured advances and advances secured by guarantees to a maximum of Rs. 50,000/- to an individual party, provided that the advance was not intended for financing imports of manufactured goods, bullion, food grains and oil seeds. The banks have also been instructed not to open letters of credit to cover imports into Pakistan unless 15 per cent of the amount of credit was deposited with them.

7. It is to meet the credit requirements of the economy that the Government have set up various finance corporations and other credit institutions (e.g. Refugee Rehabilitation Finance Corporation; Pakistan Industrial Finance Corporation; the National Banks of Pakistan and the proposed Agricultural Bank; the Pakistan Industrial Credit and Investment Corporation, etc.).

8. While fiscal policy is being attuned to restore equilibrium in the balance of payments, there are obvious limitations to it. The commodities at present being imported consist of highly essential items whereas the commodities on which increased taxation in various forms (import duties, sales tax) might be most useful are already largely excluded from importation. The import programme consists mainly of such essential items as raw materials, spare parts for machinery, drugs and medicines, petroleum and products; iron and steel and transport equipment. The increased rate of duties on these commodities would only inflate the cost of domestic production and the general level of prices. It would also enhance the incentive for smuggling operation.

9. In the circumstances explained in the preceding paragraphs, Pakistan cannot contemplated any substantial relaxation or elimination of import restrictions. The liberalization of the import programme would only be possible after the country has achieved a satisfactory level of domestic production. For the duration the programme to provide the basic development facilities is in operation and the international situation is such that the country has to maintain a high level of defence expenditure, there appears very little possibility of removing import restrictions. At the moment there is very little discrimination between currency areas in Pakistan’s import programme. Through this policy we have avoided unnecessary damage to the commercial or economic interests of any particular country.
CONSULTATION UNDER ARTICLE XII: 4(b) WITH

PAKISTAN

Annexes to the Basic Document

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<th>Date of Gazette</th>
<th>Page Nos.</th>
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<td></td>
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<td>VI</td>
<td>List of Trade Agreements currently in force</td>
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<td>-</td>
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</tr>
</tbody>
</table>

1 These Annexes are circulated in English only. Only one copy of the Government Gazettes mentioned here is supplied to each contracting party.
ANNEX I

Imports and Exports (Control) Act, No. 39 of 1950, as amended

An Act to continue for a limited period powers to prohibit or control imports and exports

WHEREAS it is expedient to continue for a limited period powers to prohibit, restrict or otherwise control imports into and exports from Pakistan;

It is hereby enacted as follows:-

1. (1) This Act may be called the Imports and Exports (Control) Act, 1950.

(2) It extends to all the Provinces and the Capital of the Federation and to every Accessing State to the extent to which the Central Legislature has power to make laws for that State as regards the control of imports and exports.

(3) It shall come into force immediately, and shall remain in force for a period of twelve years.  

2. In this Act -

(a) "Chief Controller" means the officer appointed by the Central Government to perform the duties of Chief Controller of Imports and Exports under this Act;

(b) "Customs-collector" means a Customs-collector as defined in the Sea Customs Act, 1878, or a Collector of Land Customs appointed under the Land Customs Act, 1924; and

(c) "import" and "export" mean respectively bringing into, and taking out of, the Provinces or the Capital of the Federation or any Accessing State, if the Federal Legislature has power to make laws for such State by sea, land or air.

3. (1) The Central Government may, by order published in the official Gazette and subject to such conditions and exceptions as may be made by or under the order, prohibit, restrict or otherwise control the import or export of goods of any specified description, or regulate generally all practices (including trade practices) and procedure connected with the import or export of such goods including the submission of applications for licences under this Act, the evidence to be attached to such applications, and the grant, use, transfer or sale or cancellation of such licences.

1 In the original Act enacted on 19 April 1950, the period of validity was three years. This was amended by Act No. 9 of 1953 to six years, and by Act No. 35 of 1956 to twelve years.
(2) No goods of the specified description shall be imported or exported except in accordance with the conditions of a licence to be issued by the Chief Controller or any other officer authorized in this behalf by the Central Government.

(3) All goods to which any order under sub-section (1) applies shall be deemed to be goods of which the import or export has been prohibited or restricted under section 19 of the Sea Customs Act, 1878, and all the provisions of that Act shall have effect accordingly except that section 183 thereof shall have effect as if for the word "shall" therein the word "may" were substituted.

(4) Notwithstanding anything contained in the aforesaid Act the Central Government may, by order published in the official Gazette, prohibit, restrict or impose conditions on the clearance whether for home consumption or for shipment abroad of any imported goods or class of goods.

4. All orders made under section 3 of the Imports and Exports (Control) Act, 1947, and in force immediately before the commencement of this Act, shall so far as they are not inconsistent with the provisions of this Act, continue in force and shall be deemed to have been made under this Act.

5. If any person contravenes any order made or deemed to have been made under this Act or the rules made thereunder, or makes use of an import or export licence otherwise than in accordance with any condition in that behalf imposed under this Act, he shall without prejudice to any confiscation or penalty to which he may be liable under the provisions of the Sea Customs Act, 1878, as applied by sub-section (3) of section 3 of this Act be punishable with imprisonment for a term which may extend to one year, or with fine, or with both.

6. No court shall take cognizance of any offence punishable under section 5 except upon complaint in writing made, -

(a) in the case of an offence which is punishable both under this Act or the rules made thereunder and also, whether by confiscation or otherwise, under the Sea Customs Act, 1878, by a Customs-collector or by an officer of Customs authorized in writing in this behalf by a Customs collector, or

(b) in the case of any other offence, by the Chief Controller or by an officer authorized by him in writing in this behalf;

and no court inferior to that of a Magistrate of the first class shall try any such offence.

7. No order made or deemed to have been made under this Act shall be called in question in any Court, and no suit, prosecution or other legal proceeding shall lie against any person for anything in good faith done or intended to be done under this Act or any rules made thereunder or any order made or deemed to have been made thereunder.
8. The Central Government may make rules not inconsistent with this Act for carrying out the purposes of this Act.

9. The Imports and Exports (Control) Act, 1947, and the Imports and Exports (Control) Ordinance, 1950, are hereby repealed.
ANNEX III (b)

MINISTRY OF COMMERCE

PUBLIC NOTICE

(Import Trade Control)

Karachi, 28 June 1957

No. 339/121/57-Imp. I. - Attention is invited to this Ministry's Public Notice No. 339/121/57-Imp. I, dated 30 May 1957 inviting applications from 'NEW COMERS'. The following additional items have been added to the list of items for which new comers can apply:

1) Iron and Steel,
2) Non-ferrous metals,
3) News-print,
4) Clocks and watches (parts only),
5) Glucoso, and
6) Requisites for games and sports.

2. The last date for filing applications is hereby extended up to the 30 July 1957.
ANNEX IV (b)

GOVERNMENT OF PAKISTAN
MINISTRY OF COMMERCE

PUBLIC NOTICE

Karachi, 18 July 1957

Export Industries Special Licensing Scheme

No. 326/106/57-EP. - The Government of Pakistan have decided to add the following sub-paragraph to paragraph 4 of the Ministry of Commerce Public Notice No. 326/106/57-EP., dated 31 May 1957 published in the Gazette of Pakistan, Extraordinary, of that date:

"(5) Government in the Ministry of Commerce and the Managing Director, Small Industries Corporation, Karachi and the Directors of Industries concerned, will be competent to reject any application for grant of the special advance licences or for the supply of imported raw materials and packing materials, as the case may be, under the scheme if they are not satisfied about the ability of the applicant to effect exports in accordance with the terms and conditions laid down and/or in quantities considered sizeable by them in their discretion. Such decisions can be communicated to the applicants with or without assigning any specific reasons therefor."

2. Government have also decided to make the following corrections in the scheme announced in the Public Notice referred to above:

(i) For "Brass & Copper Wires, all sorts" in column (1) of the Schedule to the said Public Notice, read "Brass & Copper Wares, all sorts".

(ii) For "Metal Parts & Frames" in column (2) of the said Schedule, against Optical Goods, read "Metal Parts of Frames".

(iii) For "Rs.12" in column (3) of the said Schedule against Optical Goods, read "Annas ¼/-/".

3. Government have further decided to make the following entries in column (3) of the Schedule in place of the existing entries made therein for the export of the goods shown in column (1):
<table>
<thead>
<tr>
<th>Goods of Pakistan manufacture for Export</th>
<th>Export performance stipulated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aluminium Wares</td>
<td>250% of the value of imported materials.</td>
</tr>
<tr>
<td>Brass &amp; Copper Wares, all sorts.</td>
<td>400% of the value of imported materials.</td>
</tr>
<tr>
<td>Electrical Accessories</td>
<td>500% of the value of imported materials.</td>
</tr>
<tr>
<td>Leather Footwear</td>
<td>A pair of footwear for--</td>
</tr>
<tr>
<td></td>
<td>i) Gents for imported materials worth Rs.8-8-0</td>
</tr>
<tr>
<td></td>
<td>ii) Ladies -do- Rs.4-2-0</td>
</tr>
<tr>
<td></td>
<td>iii) Children -do- Rs.2-9-0</td>
</tr>
<tr>
<td>Zari Chappals</td>
<td>500% of the value of imported materials.</td>
</tr>
<tr>
<td>Glass Bangles</td>
<td>10 times the value of imported materials.</td>
</tr>
<tr>
<td>Embroidered Goods, all sorts (including Zari Embroidery)</td>
<td>333% of the value of imported materials.</td>
</tr>
<tr>
<td>Ladies Handbags</td>
<td>250% of the value of imported materials.</td>
</tr>
<tr>
<td>Lace, Braid and Tape</td>
<td>100 lbs. of finished product for Rs.178 worth of imported materials.</td>
</tr>
<tr>
<td>Ivory Goods</td>
<td>333% of the value of imported materials.</td>
</tr>
<tr>
<td>Handloom Textiles and Handwoven Cloth</td>
<td>100 yards of finished cloth for imported materials worth Rs.41-12-0</td>
</tr>
<tr>
<td>Hosiery</td>
<td>250% of the value of imported materials.</td>
</tr>
<tr>
<td>Leather Goods other than footwear</td>
<td>455% of the value of imported materials for suitcases, and 500% of the value of imported materials for other goods.</td>
</tr>
<tr>
<td>Electric Fans</td>
<td>244% of the value of imported materials.</td>
</tr>
<tr>
<td>Lathes, Drill Chucks, Oil Expellers, etc.</td>
<td>333% of the value of imported materials.</td>
</tr>
<tr>
<td>Machine Tools including Hand-tools.</td>
<td>286% of the value of imported materials.</td>
</tr>
<tr>
<td>Rubber Tyres and Tubes for Cycles.</td>
<td>100 Tyres for imported materials worth Rs.175-8-0.</td>
</tr>
<tr>
<td>Steel Furniture</td>
<td>100 Tubes for imported materials worth Rs.93-8-0.</td>
</tr>
<tr>
<td>Steel Windows and Doors</td>
<td>500% of the value of imported materials.</td>
</tr>
<tr>
<td></td>
<td>333% of the value of imported materials.</td>
</tr>
</tbody>
</table>
PUBLIC NOTICE
Karachi, 5 August 1957.

Export Industries Special Licensing Scheme

List of import requirements in column (2) of the Schedule to the Ministry of Commerce Public Notice No. 326/106/57-EP., dated 31 May 1957 published in the Gazette of Pakistan, Extraordinary, of that date, against the undermentioned goods shown in column (1) thereof:

<table>
<thead>
<tr>
<th>(1) Goods of Pakistan manufacture for export.</th>
<th>(2) Import Requirements</th>
<th>I.T.C. classification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biscuits and Confectionery.</td>
<td>Aluminium Foil</td>
<td>II/5</td>
</tr>
<tr>
<td>Rubber Goods, the following:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balloons, feeding teats and valves, surgical rubber goods, soothers, prophylactics, soles and heels, and rubber toys.</td>
<td>Pigments and Dry Colours, Lithopone Mould Lubricants: S.I. Emulsion and Lubricant K.</td>
<td>IV/P-1/3, 4 &amp; 7. IV/O-1/4 &amp; IV/C-1/7</td>
</tr>
</tbody>
</table>

2. The Government have also decided to substitute the existing entries against "Rubber Tyres and Tubes for Cycles" in column (2) of the said Schedule by the following:

- Raw Rubber
- Synthetic Rubber
- Chemicals
- Cord Fibre
- Bead Wire
- Metal Valves
- Pigments & Dry Colours - Lithopone
- Fasctice
- Kraft Paper
- Corrugated & Mill-board

... IV/R/1
... IV/R/7
... IV/C-1/7
... IV/T-2/19
... IV/H-2/6
... IV/P-1/3, 4 & 7.
... IV/Misc-2/20.
... IV/P-2/2.
... IV/P-2/3.
3. The Government have further decided to add the following sub-paragraph to paragraph 4 of the Public Notice referred to above, with a view to safeguarding against any tendency to use the raw materials and packing materials imported under the Export Industries Special Licensing Scheme for a purpose other than that for which they are intended:

"(6) Government in the Ministry of Commerce may require the applicants for grant of special licences for the import of any particular materials importable under the scheme from time to time to execute a Bond as prescribed in Form 'C' attached hereto, to the effect that they shall pay to the President of Pakistan a sum equivalent to four times the value of the said materials inclusive of import duty, sales tax, etc., should they fail to export the entire quantity of imported materials in the shape of finished goods and comply with and fulfill the conditions on which the said special licences were granted to them. The materials in the case of which such Bonds will be required and the minimum quantity of goods to be manufactured with the imported materials, shall be determined by Government in their discretion."

FORM 'C'

(To be executed on a paper of appropriate value based on the value of the imported materials in each case)

BY THIS BOND I, ______________________ (hereinafter called the licensee) and I ____________________ (hereinafter called the surety) are held firmly bound unto the President of Pakistan (hereinafter called the licensor) in the full and just sum of Rs. ______________________ which represents four times the value of the Special Import Licence for the import of ______ issued to the licensee, to the payment of which said sum of money well and truly to be made and done, the licensee and the surety bind themselves their successors and assignees jointly and severally firmly by these presents:

Signed, sealed and dated this ______ day of _______________ 195.

WHEREAS the licensor at the request of the licensee and in pursuance of the Government of Pakistan, Ministry of Commerce Public Notice No. 326/106/57-EP., dated 31 May 1957 as amended from time to time, issued to the said licensee a Special Import Licence for the value of Rs. _______________ and for articles mentioned in Annex I hereto on the terms and conditions set out in the said Public Notice;

NOW the condition of the foregoing obligation is such that if the licensee shall well truly and faithfully comply with all the conditions of the aforesaid Special Import Licence and any instructions issued to him from time to time by the said Ministry in relation to the said licence and any goods imported
thereunder, then this obligation shall be null and void, otherwise it shall remain in full force and virtue.

Witness: 

1. ____________________________
   ____________________________

2. ____________________________
   ____________________________

(Signature, seal and address of the licensee)

(Signature, seal and address of the surety)
# ANNEX VI

## LIST OF TRADE AGREEMENTS IN FORCE

<table>
<thead>
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<th>Agreement country</th>
<th>Agreement etc.</th>
<th>Validity</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>Trade Agreement (1956-57)</td>
<td>24-12-56 to 23-12-57</td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td>Trade Agreement (1952-53)</td>
<td>15-3-52 to 14-3-53</td>
<td>Extended indefinitely. Can be denounced at any time at 3 months notice</td>
</tr>
<tr>
<td>Burma</td>
<td>Trade Agreement (1957-60)</td>
<td>1-3-57 to 28-2-60</td>
<td>Ratified not yet published.</td>
</tr>
<tr>
<td>Ceylon</td>
<td>Trade Agreement (1955-56)</td>
<td>1-7-55 to 30-6-56</td>
<td>Can be terminated at six months notice after 30-6-56.</td>
</tr>
<tr>
<td>Czechoslovakia</td>
<td>Trade Agreement (1956-57)</td>
<td>15-8-56 to 14-8-57</td>
<td>Automatically extended until 14-8-58.</td>
</tr>
<tr>
<td>France</td>
<td>Trade Agreement (1956-57)</td>
<td>1-7-56 to 30-6-57</td>
<td>Extended until 30-9-59 by &quot;Agreed Minutes&quot; of 27-6-57.</td>
</tr>
<tr>
<td>Germany, Federal Republic of</td>
<td>Agreed Minutes (1957-58)</td>
<td>1-7-57 to 30-6-58</td>
<td>Subject to ratification.</td>
</tr>
<tr>
<td>Hungary</td>
<td>Trade Agreement (1956-57)</td>
<td>30-7-56 to 29-7-57</td>
<td>Extended automatically until 29-7-58</td>
</tr>
<tr>
<td>India</td>
<td>Trade Agreement (1957-60)</td>
<td>1-2-57 to 31-1-60</td>
<td>Ratified and published with letters.</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Trade Agreement (1953)</td>
<td>1-1-53 to 31-12-53</td>
<td>Extended until 31-12-57. Further extension for periods of six months to be made in consultation with Indonesia.</td>
</tr>
<tr>
<td>Norway</td>
<td>Trade Agreement (1951-52)</td>
<td>22-5-51 to 21-5-52</td>
<td>Extended until 21-11-52. Automatically extended thereafter for further periods of six months unless denounced 3 months before expiry.</td>
</tr>
<tr>
<td>Agreement country</td>
<td>Agreement etc.</td>
<td>Validity</td>
<td>Remarks</td>
</tr>
<tr>
<td>-------------------</td>
<td>----------------</td>
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<td>---------</td>
</tr>
<tr>
<td>Poland</td>
<td>Trade Agreement (1956-57)</td>
<td>4-2-56 to 3-2-57</td>
<td>Extended until 3-2-58. Renewed automatically each year if no notice of termination is given 3 months before expiry.</td>
</tr>
<tr>
<td>USSR</td>
<td>Trade Agreement (1956-57)</td>
<td>3-9-56 to 2-9-57</td>
<td>Extended indefinitely subject to termination at 3 months notice.</td>
</tr>
<tr>
<td>Yugoslavia</td>
<td>Trade Agreement (1954-55)</td>
<td>15-5-54 to 14-5-55</td>
<td>Automatically extended until 14-5-55 if no notice is given 3 months before expiry.</td>
</tr>
</tbody>
</table>