1. Legal and administrative basis of the restrictions

The statutory basis of the import restrictions in Pakistan is the Imports and Exports (Control) Act of 1950 currently in force until 19 April 1962. 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. . .". Under the authority of the Act the Government issues orders showing items that may be imported and other instructions regarding imports. The Act is administered by the Ministry of Commerce.

Functioning under the Ministry is the Central Ceilings Committee, composed of representatives of this and several other Ministries which have an interest in import policies. 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 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 are a Chief Controller of Imports and Exports who has offices in Karachi and Rawalpindi, and 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 Ministers of Finance and Industry are represented, and the Regional Controller presides over similar Licensing Boards which include representatives of the Provincial Governments. These Licensing Boards decide on the issue of licences for imports into Karachi, West Pakistan and East Pakistan respectively.

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1 Provisional, subject to confirmation by the Pakistan Authorities. For a general statement, see MGT(60)72.
The Registration (Importers and Exporters) Order of 1952 provides that all importers and 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 refuse registration or, if granted, to cancel the registration of any importer for certain reasons. For example, registration can be cancelled if the importer is found to infringe price control regulations.

Under a new procedure introduced for the January-June 1960 shipping period the issue of import licences has been greatly expedited; licences are prepared by the importers banks presented to the offices of licensing authorities where they are checked by officers of the Imports and Exports Organization, registered with the State Bank and issued within twenty-four hours.

Orders on import controls for various goods are published in the Official Gazette of Pakistan. The "basis of the licensing" for each shipping period is published in the form of Public Notices in the Gazette, and also printed in the weekly Bulletin of Director General of Supply and Development, etc.

2. Methods used in restricting imports

All imports are subject to licence, except goods ordered directly by a department of the Central or Provisional Governments, certain goods imported over the land route from Iran and Afghanistan and certain other types of imports, such as passengers' baggage (specified in Ministry of Commerce Notification 335/26/24 of 12 June 1951 as amended).

Commercial imports are admitted under various import control procedures:
(a) imports by established commercial importers and industrial consumers;
(b) imports by newcomers; (c) imports under the Export Bonus Scheme;
(d) individual licensing; and (e) imports under open general licence.

(a) Imports by established commercial importers and industrial consumers

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 draws up a licensing policy for each shipping period (i.e. each half calendar year) which takes the form of a list of the items which may be imported. A Public Notice is published to this effect in the Official Gazette. This Notice states 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 for example, when there is need to accommodate imports under new trade agreements. The Committee also determines the ceilings (i.e. global quotas) for the individual items or groups of items and the share of each of the three licensing regions 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 quota) 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 requirements of capital equipment, spares and raw materials assessed by the Central Survey Organization, where such assessment has not been completed, licences are issued on the recommendation of the Provincial Directorates of Industries.

The list of permitted imports for established commercial importers and industrial consumers valid for the shipping period July-December 1960 includes 188 items, and consists principally of essential industrial materials and equipment as well as certain essential consumer goods.

(b) Imports by new-comers

Under the scheme for "new-comers", persons or firms fulfilling prescribed conditions may apply for licences to import specified items. The purpose of this is to enable people who are at present not established importers but are doing trade in the less-developed areas of the country to participate in the import trade. Applications are considered individually on their merits, At present twenty specified items including both essential raw material and certain consumer goods, can be imported by "new-comers".

(c) The Export Bonus Scheme

Under this scheme exporters of the goods covered by it are entitled to receive bonus entitlement vouchers of value equivalent to:

(i) 40 per cent of f.o.b. value earned by the export of all manufactures excluding jute and cotton manufactures;

(ii) 20 per cent of f.o.b. value earned by the export of all other items including jute and cotton manufactures but excluding cotton yarn (mill-made) which will earn bonus at 10 per cent, and

(iii) 20 per cent net foreign exchange earned by the service industries, namely, aircraft repairs, salvage operations, ship repairs and shipping.

With these vouchers, which are transferable, exporters concerned can import goods out of a list of 227 items, including a wide range of industrial raw materials, machinery and balancing equipment, spare parts, etc.
(d) **Imports under individual licence**

Apart from the regular or special licencing schemes, application for individual licences to import particular products for the applicants own use, or for emergency replacement of products and machinery, are favourably considered by the licensing authorities, if these are considered as justified imports.

(e) **Imports under open general licence**

The preceding paragraphs (a) to (d) describe the procedure governing imports subject to restriction. In addition, beginning 1 January 1960, certain imports have been admitted without restriction under the new automatic licensing or a licence-free system. Initially, drugs and medicines, with some exceptions, were exempted from licensing requirement. Effective 1 July 1960, a number of industrial materials, machinery and certain consumer goods, were placed under automatic licensing; for these products licences are issued freely against evidence of full utilization of a previous licence.

3. **Treatment of imports from different sources**

Except in the case of amounts provided under certain foreign aid schemes or bilateral trade agreements, (there is no such agreement in force at present), import licences issued do not prescribe sources of supply; they are valid for import from all countries of the world.

Trade agreements concluded by Pakistan are general in nature and do not involve discriminatory quotas.

The Trade Agreement concluded with India on 21 March 1960, provides for separate payments arrangements in respect of a limited range of goods up to specified volumes to facilitate on a self-balancing basis, import and exports of the specified goods. All payments in respect of the transactions under this arrangement are made in a special account. The balance in the account is useable only for purchases of the specified goods by the creditor country.

Trade agreements, not involving bilateral quotas, are in force with a number of countries.

Barter deals are concluded in certain cases particularly in respect of trade with the Communist countries. The volume of total imports through barter is however negligible compared to total imports.
4. Commodities or groups of commodities affected by the restrictions

Prior to 1959, all categories of imports were subject to quantitative restriction in Pakistan. The trend in recent months has been to relax restrictions on imports of certain basic materials and consumer goods, and a few agricultural and industrial products. The following products are currently under automatic licensing or are licence free:

<table>
<thead>
<tr>
<th>Licence free</th>
<th>Automatic licensing</th>
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<tr>
<td>Drugs and medicines, with certain exceptions, which are specified in Chief Controller's Public Notice No. 64 (60) /Import of 24 June 1960.</td>
<td>Iron and steel, Metals, Asbestos, Camphor, Gas in cylinders, Chemicals n.o.s., Coal-tar dyes, Dyeing and tanning substances, Gas black and carbon black, Raw natural and synthetic rubber, Rubber scrap, Gelatine capsules, Lubricants, Tractors and spares, Living plants, Vegetable and flower seeds (except onion seeds), Nylon twine for fishing industry, Books, Laboratory glassware, X-ray films and plates, Tyres and tubes, Scientific and surgical instruments, etc., Automobile parts and accessories</td>
</tr>
<tr>
<td>Automatic Licensing for East Pakistan only</td>
<td>Cement, Limestone, Soda ash, Milk food, Motor rickshaws</td>
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The normal import schedule, (i.e. all imports subject to licence, issued to commercial importers and industrial users, for the period July-December 1960) lists 188 items. The complete list is contained in Chief Controller's Public Notice No. 64 (60) /Import, of 24 June 1960.
Proportion of Private Imports Covered by Each Import Procedure

(In million Rupees)

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<tr>
<td>Commercial Imports including imports both by &quot;Commercial importers&quot; and &quot;industrial consumers&quot;</td>
<td>975</td>
<td>1056</td>
<td>1081</td>
<td>967</td>
<td>942</td>
<td>1067</td>
<td>638</td>
</tr>
<tr>
<td>Commercial imports on Government account</td>
<td>104</td>
<td>57</td>
<td>224</td>
<td>1129</td>
<td>946</td>
<td>614</td>
<td>818</td>
</tr>
</tbody>
</table>

5. Import under State trading

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. 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 United States surplus commodity agreements).

(In million Rupees)

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<tr>
<td>Food grains</td>
<td>-</td>
<td>-</td>
<td>120</td>
<td>546</td>
<td>472</td>
<td>415</td>
<td>717</td>
</tr>
<tr>
<td>Coal</td>
<td>58</td>
<td>58</td>
<td>63</td>
<td>80</td>
<td>70</td>
<td>52</td>
<td>70</td>
</tr>
</tbody>
</table>
6. **Measures taken in the last year in relaxing or otherwise modifying restrictions**

Under the new Export Promotion Scheme, which entered into force in January 1959, exporters of jute and cotton manufactures and culinary products (other than raw jute, raw cotton, hides and skins, wool, rice and tea) are given bonus entitlement vouchers nominated in Pakistani rupees equivalent to 20 per cent of their exchange receipts. For exporters of all other manufactures, the percentage is forty. The bonus vouchers are freely transferable and may be exchanged for a licence to import certain commodities. The list of items which may be imported under the programme is more extensive than the list of licensable commodities under the regular import programme.

On 24 June 1960, the Government of Pakistan announced the new import policy aimed at increasing supplies of essential consumer goods and stabilizing prices at a reasonable level, as well as providing adequate basic raw materials for industrial development programmes. Shortly thereafter, a number of industrial raw materials and consumer goods were placed under Open General Licence, effective 1 July 1960 (see Section 4 above).

While twelve items were removed from the list of items importable by commercial importers, all but two of the following items (fents and tea chests), were transferred to the list of permitted imports under the Export Promotion Scheme:

- Haberdashery, liquid gold, long-playing records, fabrics not otherwise specified, fents, toilet articles, perfumery concentrates, smokers' articles, tiles and bricks, rubber manufactures, textiles, and tea chests.

The following items can no longer be imported by utilization of export bonus vouchers:

- Earthenware, china, porcelain, glass and glassware, sheet glass and mirrors, shaving and tooth-brushes, used woolen clothing and mechanical and educational toys.

7. **Effects of restrictions on trade and general policy in the use of restrictions for balance-of-payments reasons**
Statement Provided by the Government of Pakistan

(See also the supplementary statement in document MGT(60)72)

The general purpose of the import restrictions 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. The import policy therefore has a bias in favour of industrial need.

It has been the continued effort of the Government to relax import restrictions as soon as the situation permits so that economic forces have a free play. It may be noted that for the first time since the cancellation of the Open General Licences in November 1952, "drugs and medicines", which is an important consumer item, was placed on automatic licensing in the January - June 1960 shipping period. This was virtual Open General Licences for as soon as the licencees were able to exhaust their first licences and satisfy the licensing authorities that the licence had been fully and properly utilized, they could obtain a repeat licence without having to wait till the next shipping period. This system of automatic licensing has been extended to twenty-eight more items in the July - December 1960 shipping period. The items include essential straight consumer items, industrial raw materials and agriculture development articles. The industrial items are so important and generic (e.g., iron and steel, metals, chemicals, raw rubber, dyes, etc.) that as many as 130 industries will be eligible to the benefits of automatic licencing.

Industrial consumers who are entitled to receive licences for these items will be licensed, generally speaking, at 100 per cent of assessed capacity. As soon as they are able to show that they have utilized one licence they will have the right to apply for another licence. Similarly commercial importers of these items will receive licences at 100 per cent of their categories. Like the industrial consumers, commercial importers of these items will also be able to ask for another licence as soon as they are able to show to the satisfaction of the licensing authorities that they have fully and properly utilized one licence. This liberalized policy is based on the following two principles:

(a) Recognized effective industrial capacity should be provided with adequate raw materials to work efficiently and competitively;

(b) Supply of essential consumer goods should be increased so that prices stabilize at a reasonable level.

The import policy in Pakistan is determined by the Central Government which has authority to specify 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. 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".

ANNEX

Office of the Chief Controller of Imports and Exports - Public Notice No. 64 (60)/Import of 24 June 1960 (to be circulated separately).