CONSULTATION UNDER ARTICLE XII:4(b) WITH

PAKISTAN

Draft Basic Document prepared by the Secretariat

I. SYSTEM AND METHODS OF RESTRICTIONS

(a) Legal Basis of the Restrictions

The statutory basis for the import restrictions in force in Pakistan is the Imports and Exports (Control) Act of 1950 by which 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 hereto (Annex I).

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 publishes from time to time Public Notices in the Gazette of Pakistan prescribing the import policy to be followed in a given period or giving instructions regarding procedure and other regulations connected with import control. Under the present practice the import policy is announced semi-annually, for the six-months periods January - June and July - December.

(b) Administrative Basis of the Restrictions

Administrative authorities: The Import and Exports (Control) Act of 1950 is administered by the Chief Controller of Imports and Exports. The Chief Controller, whose office is in Karachi, is assisted by three Controllers with offices located at Karachi, Lahore and Chittagong.

In addition to the offices of Controllers, three Licensing Boards, which are located at the same places, assist in the examination of applications for licences. A Central Ceilings Committee determines the basis of licensing in the

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different categories of importers as described below, and the share of different industries in the commercial items and the share of each region in the light of its requirements and productive capacity. Within this framework and the limits laid down by the Central Government, the licensing of individual units of an industry and of commercial importers is entrusted to the three regional Licensing Boards.

**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 must register themselves with the Government 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 in the same field.

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

(i) for contravening any registration 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 an 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.
Categories of Importers: For the purposes of licensing, importers may be divided into four categories:

(1) Commercial importers are those who are registered with the Government as such and are divided into categories eligible to import defined classes of merchandize.

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

(3) Newcomers 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 newcomer for this purpose must be a citizen of Pakistan, permanently residing with his family and preferably own immovable property and having investments in the country. Preference is given to those who are engaged in the 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 which had effected imports prior to July 1950 and those who applied for licences for imports from countries having bilateral trade agreements with Pakistan.

(4) Traders under the Barter or Export Incentive scheme are those who export certain major products and are eligible under that scheme to use a percentage of their foreign exchange proceeds for specified imports.

An intending importer must first determine his status under one of the four classes of importers described above. Further an importer may be eligible to import "sole agency" items if he is the exclusive agent for a well-known brand of merchandise, or if he desires to import only a single commodity or
closely related commodities or if only one of the products in which he is interested is on the importable list.

Exchange Control on Import Payment: Payments for imports can 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 can 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. and f. value of the import. Transactions with certain countries are conducted on a confirmed letter of credit basis.

(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 items permitted under a Public Notice (No. 335/26/24 of 12 June 1951) issued by the Ministry of Commerce.

For the purposes of licensing an import policy is published every six months which lists the items for which licences can be issued. The total value of the imports covered by the policy is decided in the light of the foreign exchange position, essentiality of the items, their availability within the country during the period in question, productive capacity and other relevant considerations. Within the limit thus set, global quotas are fixed for the goods on the importable list and the licences are issued to individual importers within these quotas for specified values of goods. Single country quotas are also fixed for small amounts under certain trade agreements.

Supplementary programmes may be established from time to time, particularly when there is need to provide for recently negotiated trade agreements or when foreign aid is received or when there is an urgent need for certain imports.

In addition to the entitlement, as industrial consumers, under the semi-annual 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 scheme applies to established industrial importers and other manufacturers who can satisfy the Government of their ability to export their products if the materials were made available to them.

Under the Export Promotion Scheme, exporters of certain primary commodities are entitled to import licences corresponding to 15 per cent of their exchange receipts, and exporters of certain manufactured goods to import licences corresponding to 25 or 40 per cent, according to the goods, to be used for specified imports.

Annex II is a Public Notice setting out the import policy, with the list of importable items, for the shipping period July - December 1957. The items in that list which can be licensed only to industrial consumers have been marked with asterisks. Annex III reproduces the current regulations and list of products relating to the Export Promotion Scheme. Annex IV contains a Public Notice concerning the issue of licences to "new-comers" with a list of items which can be licensed under these regulations, and a Public Notice establishing the Export Industries special Licensing Scheme.

(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, III and IV). The permitted imports for established commercial importers and industrial consumers include 214 items, and consist principally of essential materials, equipment as well as certain consumer goods. About 265 items of essential materials are covered by the Export Industries Special Licensing Scheme. The "new-comers" programme permits the import of twenty-seven manufactured products, including both essential equipment and certain consumer goods. The Export Promotion Scheme enables the import of a number of materials and manufactured goods. Apart from these imports and certain goods imported on Government account (see section (g) below), all other imports are not being permitted.

It is difficult to specify the products or groups of products which are adversely affected by the import restrictions. In the view of the Pakistani 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 in the quantity of other imports. The principal products or groups of products of which domestic demand is not fully met by production and imports as permitted under the present import control scheme are the following:

[List to be added if possible; if not, indications in general terms would be desirable.]

(e) Proportion of Imports covered by each Method used

The following are estimates of the licences granted and imports effected during the shipping periods January - June and July - December 1957 under the various import policies and schemes. It should be noted, however, that the Government may consider it necessary to grant licences for additional items and the figures for the current period should then be revised accordingly.

<table>
<thead>
<tr>
<th>Policy or Scheme</th>
<th>January-June 1957</th>
<th>July-December 1957</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Licences issued</td>
<td>Actual Imports</td>
</tr>
<tr>
<td>Established importers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial consumers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Newcomers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export Promotion Scheme</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export Industrial Special Licensing Scheme</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other imports</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Table to be completed in so far as possible)

(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.

The agreements with France, Germany, Italy and Japan provide for the issue of single country licences when one of the partners purchases of cotton have
reached a specified quantity. Such single country licences cover a negligible part of the import trade. In the current import programme provisions are made only for single country licence for imports from France.

Bilateral trade agreements, not involving quotas are, however, in force with a number of countries.

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

As stated above, Government imports at present are of considerable size, accounting for some 20 to 30 per cent of total imports. State trading for commercial purposes is, however, limited to certain essential foodstuffs (i.e. sugar, wheat and rice) and coal. The following table shows the volume and the value of such imports in recent years.

<table>
<thead>
<tr>
<th>Commodity</th>
<th>1955</th>
<th>1956</th>
<th>1957 estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sugar</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wheat</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rice</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coal</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Table to be completed in so far as possible)

(h) Measures taken in recent Years to relax Restrictions

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.

Under the terms of the standstill agreement Pakistan and India maintained a common import licensing policy until 1948. Following the partition, Pakistan was faced with acute shortages of many products 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
open general licences and through the expansion 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 exports, a liberal import
policy and unfavourable weather conditions produced a heavy deficit on the
balance of payments in the second half of 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 heavy incidence of the restrictions was alleviated by the issue
of additional licences in the second half of the year. 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 Pakistani 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 some £12.7 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. In May additional provisions of foreign exchange up to Rupees 95 million were made available for commercial imports.

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, were 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 also been made for the import of brood mares.

II. EFFECTS OF THE RESTRICTIONS

(a) Protective effects of the restrictions on domestic production

(b) Difficulties or hardships that may be expected upon relaxation or elimination of the restrictions

(c) Steps taken to reduce incidental protective effects of the restrictions

(d) Steps taken to minimize difficulties of transition to the stage where balance-of-payments restrictions may be eliminated
(e) Steps taken to avoid unnecessary damage in accordance with Article XII:3(c)(iii)

(The whole of Section II is to be drawn up after the discussions in Karachi.)

ANNEXES

I. Imports and Exports (Controls) Act of 1950.

II. Public Notice No. 339/145/57 Imp-I, of 26 June 1957, concerning the issue of import licences for the shipping period July-December 1957.

III. Public Notice No. 79(56)(Import, of 8 October 1956, announcing the Export Promotion Scheme.

IV. Public Notice No. 339/121/57 Imp-I, of 30 May 1957, concerning imports by "now-comers", and


(Other Annexes to be added as appropriate.)