Statement by the Representative of Pakistan

1. I have the privilege to present to this Committee the background document in BOP/97, which contains material supplied by the Government of Pakistan for the purpose of consultation under paragraph 12(b) of Article XVIII of the GATT. In accordance with the plan of consultation, the document provides information on the legal and administrative basis of the restrictions, methods used in restricting imports, treatment of imports from different sources including information on the use of bilateral agreements, commodities or groups of commodities affected by the restrictions, import under State trading, measures taken since the last consultation to relax or otherwise modify the restrictions, and effect of restrictions on trade and general policy in the use of restrictions for balance-of-payments reasons.

2. The Committee will have seen in the document that Pakistan's balance of payments unfortunately remained under considerable strain during the first half of the current Third Five-Year Plan period. The disbursements of foreign assistance were 22 per cent below the Plan expectations for this period which imposed serious limitations on the level of imports. The pressure on development imports was more intense since non-development imports increased by 21 per cent over Plan projections because of larger food and other non-development imports as well as rising debt service burden. A severe shortage of raw materials resulted in considerable under-utilized capacity.

3. Consequently, the balance-of-payments policies were thoroughly reviewed by the Government of Pakistan and various changes in them were brought about. In this connexion, I might mention that number of export bonus rates which over the years had risen to six, was reduced from 22 November 1967 to two - 40 per cent for fully manufactured goods and 30 per cent for all other goods, with the minor exception of raw wool on which the bonus rate is 20 per cent. This has helped to simplify the operation of the Export Bonus Scheme. A cash-cum-bonus import scheme was introduced for the first time in the import policy for the period July-December 1967. This scheme has helped us in adjusting the price of imported raw materials to more realistic level as well as reducing direct control on imports. The scope of the scheme has since been expanded and the list now covers the necessary imports of the private industrial sector.

4. Mr. Chairman, we would like to reassure the Committee that the Government of Pakistan intends to use import restrictions as a purely temporary measure in order to meet short-term needs of the economy. Adjustments are made in the import policy so as to make a most judicious use of the available resources, which are obviously insufficient, in order to conserve a major portion for more important sectors. Priority is given to development imports, essential raw materials and consumer goods.
5. The share of raw materials for capital goods has steadily increased from PRs 550 million in 1965-66 to PRs 990 million in 1968-69 of the total import bill during the first four years of the current Third Five-Year Plan mainly due to Government's policy of liberalizing import of essential raw materials. There is a considerable under-utilized production capacity in the country. An increase in the quantum of raw materials to more adequate levels is absolutely necessary in order to utilize the existing capacity. Pakistan's export and saving efforts are largely dependent on the increase in production which it can get out of the existing capacity. With increase in export earnings, the Government is gradually liberalizing imports. The Government is anxious to carry forward this liberal policy. Sir, I would be less than candid if I did not add here that the realization of this objective of my Government would depend to a very large extent on the continued support and understanding by the international institutions like GATT, International Monetary Fund and the World Bank. Without the adequate financial assistance on a continuing basis, the steady pursuit of liberal commercial policies by Pakistan will remain vulnerable to serious strains and stresses.

6. In the background document, we have attempted to provide full information and necessary clarifications to the Committee. I hope that at the end of our discussions today, the Committee will be satisfied that the import restrictions maintained by Pakistan are necessitated in order to implement programmes and policies of economic development designed to raise the general standard of living of its people as well as to safeguard its external financial position and to ensure an adequate level of foreign exchange reserves, as provided for in Article XVIII of the General Agreement.