

GENERAL AGREEMENT ON TARIFFS AND TRADE

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REPORT OF THE COMMITTEE ON BALANCE-OF-PAYMENTS RESTRICTIONS ON THE CONSULTATION UNDER ARTICLE XVIII: 12(b) WITH PAKISTAN

1. In accordance with its terms of reference, the Committee has conducted the consultation with Pakistan under Article XVIII:12(b). The Committee had before it a basic document for the consultation (BOP/70), a decision by the Executive Board of the International Monetary Fund dated 4 May 1967 (see Annex I) and a document containing background material supplied by the Fund.
2. In conducting the consultation, the Committee followed the plan for such consultation recommended by the CONTRACTING PARTIES (BISD, Seventh Supplement, pages 97-98). The consultation was completed on 24 July 1967. This report summarizes the main points of the discussion.

Consultation with the International Monetary Fund

3. Pursuant to the provisions of Article XV of the General Agreement, the CONTRACTING PARTIES had invited the International Monetary Fund to consult with them in connexion with the consultation with Pakistan. In accordance with the agreed procedure the representative of the Fund was invited to make a statement supplementing the Fund's documentation concerning the position of Pakistan. The statement made was as follows:

"The Fund invites the attention of the CONTRACTING PARTIES to the Executive Board decision of May 4, 1967, taken at the conclusion of its most recent Article XIV consultation with Pakistan, and particularly to paragraph 4 which reads as follows:

'Pakistan's import and exchange system remains restrictive and complex. The Fund believes that Pakistan would benefit greatly from a reform of this system, particularly with a view to liberalizing imports on a broad front. Such a policy would require an effective curbing of inflationary pressures and an adjustment of the exchange system, especially as it affects imports. With regard to exports, the inadequacies of the

official exchange rate are compensated for through the operation of the Export Bonus Scheme which gives rise to a multiple exchange rate structure. However, since the last consultation there has been an addition to the number of effective rates, adding to the complexity of the Scheme. Pakistan should not long delay re-establishing a unitary rate structure at a realistic level; but the Fund does not object to the present arrangements on a temporary basis. In the meantime, Pakistan should increase its efforts to simplify the operations of the Bonus Scheme and avoid further rate proliferation. The Fund urges that Pakistan terminate its bilateral payments arrangements with Fund members and keep under review such arrangements with non-members.'

"The general level of restrictions of Pakistan which are under reference does not go beyond the extent necessary at the present time to stop a serious decline in its monetary reserves."

Opening statement by the representative of Pakistan

4. In his opening statement, the full text of which is contained in Annex II to this report, the representative of Pakistan said that the main feature of his country's import policy since 1960 had been a trend towards liberalization, moving away from direct administrative controls towards fiscal and monetary controls. Satisfactory progress had been made during the Second Plan period (1960/65) in attaining these objectives, none the less there had been a temporary interruption of this progress during the first two years of the Third Plan. This was due mainly to a sizeable shortfall in the availability of external financial support in the form of non-project assistance in 1965/66 and delays in the flow of non-project assistance in 1966/67 together with a drop in food production, coupled with less than expected arrivals of Public Law 480 supplies. He explained that this situation had made necessary several adjustments in his country's import policy, in order to curtail imports within available resources. He wished to state that his Government's desire to implement a liberal policy for imports was dependent on adequate financial assistance on a continuing basis; if scarcity of foreign exchange resources continued, implementation of this policy would remain subject to serious strains and uncertainties.

Balance-of-payments position and prospects

5. Members of the Committee expressed appreciation for the clear way in which the representative of Pakistan had presented his country's balance-of-payments problems, and congratulated him on Pakistan's achievements in sustaining its rate of economic growth. This situation, together with the recent measures taken to increase agricultural production, made the short-term outlook of his country's balance-of-payments situation generally encouraging. In this connexion a question

was raised as to which were the elements that, in the view of the representative of Pakistan, were likely to influence the long-term prospects of his country's balance of payments. He replied that his country's policies were determined by an overall perspective plan which covered developments over a period of twenty years; within those broad guidelines the five-year development plans set out specific targets implemented through the yearly development projects. If assumptions upon which these plans were drawn proved correct, his country's per capita income would double in twenty years. Within this general development scheme the balance-of-payments situation would be directly dependent on:

- (a) a success in the efforts to increase agricultural production in order to reach a self-sufficiency ratio which would release foreign exchange for industrial development purposes;
- (b) a continued increase in exports of manufactured goods, and
- (c) a continued flow of foreign capital.

6. Members of the Committee hoped that, with the experience gained by Pakistan in the field of flexible planning, developments in the years ahead would be satisfactory, especially in the field of agricultural production. In this connexion the representative of Pakistan said that Pakistan had exceeded its targets in the Second Five-Year Plan in the agricultural sector, which represented a break-through in that for the first time the rate of growth of foodstuff production had been higher than the rate of growth of the population. This trend should permit his country to reduce imports of agricultural products in the future.

7. Reference was made to the rapid increase in recent years of external debt and repayment obligations arising out of foreign aid, a trend which appeared likely to continue in the future. While acknowledging that foreign aid would be a feature of Pakistan's development for some time to come, members of the Committee stressed that it was important to recognize the strain this situation would create on the balance of payments. This meant the resources provided as a result of foreign aid should be utilized in the most efficient manner possible. Although realizing that these measures were in the short run perhaps a "necessary evil", members of the Committee hoped that Pakistan would be able to adopt an increasingly liberal import policy in the years ahead. The representative of Pakistan said that he would convey to his Government the views expressed on this matter. He wished to point out to the Committee, nonetheless, that in studies carried out by certain of the countries granting aid, Pakistan appeared among the countries which most usefully utilized foreign aid resources. Furthermore he wished to state anew that it was the declared objective of his

Government to liberalize imports as much as possible and to the extent that reserves in foreign exchange would permit it. The representative of Pakistan went on to say that his country had entered into bilateral trade agreements mostly with countries having centrally planned economies in order to diversify its trade geographically and to increase its exports. The foreign trade policy of Pakistan was being made within the framework of its development plans. Considering the central rôle that planning played in the development of Pakistan, the representative of Pakistan pointed out that there was little danger of misallocation of resources due to the current foreign trade policy. As to external debt and repayment obligations, he said this was a problem which Pakistan shared with other developing countries and expressed the hope that the developed countries would come to the assistance of developing countries to solve this problem. His comments on the Export Bonus Scheme, which some had characterized as resulting in a multiple exchange system, are given in paragraph 15.

8. In reply to a question the representative of Pakistan said that his country's third development plan envisaged a reduction in the share of foreign aid in the total development programme, but it did not envisage a decline of aid in absolute terms; what would ultimately happen would naturally depend on a series of factors which were not always under his Government's control.

9. In answer to another question the representative of Pakistan explained that over the past year the share of the gross national product going into the investment sector of the economy had increased from 12 per cent to 18 per cent. In that context the rôle of private foreign investment was of the highest importance and his country had adopted a number of measures in the field of fiscal and capital repatriation policies to encourage the flow of private foreign capital. It was important to state clearly, nonetheless, that an increase in the flow of private capital should not adversely affect the arrival of foreign aid, and that these two resources should not be considered as alternatives. Both had a rôle to play in Pakistan's development plans.

Alternative measures to restore equilibrium

10. Members of the Committee expressed appreciation for Pakistan's obvious understanding of the key rôle which fiscal and monetary measures can play in implementing development without inflation. The degree to which internal stability had been achieved during the Second Five-Year Plan was ample evidence that these matters were well understood by Pakistan's key administrators. More recently however, there seemed to have been somewhat less success in this area and it was noted that not only had revenue collections fallen short of budget estimates, so that a very large deficit had developed, exceeding the entire deficit in the five years of the Second Plan, but also there had been a rather disturbing expansion of credit by banks to the private sector. It was noted that whilst the public sector had recently brought income and expenditure into

something approaching balance, private credit seemed to be expanding without much restraint, and the fear was expressed that unless appropriate measures were taken the resulting inflationary pressures might seriously prejudice attainment of the objectives of the current Plan, and place severe pressure on the balance of payments.

11. The representative of Pakistan stated, in reply, that his Government fully recognized the need to attain the desired increase in investment and growth without inflation. It was only the exceptionally difficult circumstances of the past two years that had brought about an interruption in Pakistan's record of monetary and price stability, which had been achieved along with a sharp increase in the money supply and the rate of investment, thanks to satisfactory growth in the economy. The 1965-66 period had however brought three distinct unfavourable factors, lower agricultural production due to drought and cyclones, hostilities in the sub-continent, and reduced and delayed foreign assistance. As acknowledged by members of the Committee, the resulting budget deficit had been corrected promptly beginning in July 1966, chiefly through increased taxation sufficient to carry through a 40 per cent increase in the public sector investment programme. This vigorous policy had been of great significance in avoiding a more serious inflation, as private credit had undoubtedly increased substantially in the latter part of 1966. Even so, food prices had increased sharply between December 1966 and April 1967, but with the arrival of the new wheat crop in May 1967 prices had already declined and were expected to go down even further in the near future. Steps had also been taken to reduce monetary expansion in the private sector without affecting genuine needs for credit. The current rate of growth in the money supply appeared to be in line with growth of the economy, but the situation was being kept under constant review to avoid a recurrence of the situation that developed in 1966.

12. In this connexion, the point was also made by members of the Committee that somewhat greater use might be made of the price mechanism as a means of limiting demand and that this would enable Pakistan to consider a simplification and rationalization of its complex import restrictions and multiple exchange rates. This point had been made at a recent meeting of the Pakistan Consortium and the hope was expressed that Pakistan might find it possible to give serious attention to it. Another suggestion was that perhaps more extensive use of tariffs might be helpful in substituting the price mechanism for direct controls. The representative of Pakistan stated that Pakistan would no doubt take account of the Consortium's views; more specifically, he pointed out that it was in fact an explicit objective of the current Plan to reduce direct controls on imports and that fiscal and monetary measures were being substituted for such controls. He cited the institution of the free list and the enlargement of the bonus import list as evidence of the shift from direct to indirect controls. As for the possibility of more extensive use of tariffs, the free list had in fact been intended as a first step in that direction, combined with use of "regulatory

duties" to control demand for the listed products. Undoubtedly tariffs would become still more important as time went on and would effect a reduction in the scope of direct governmental intervention in the economic process.

13. The question was also asked of the representative of Pakistan whether and if so what problems were being encountered in promoting exports, particularly of manufactured products, and how such efforts were contributing to solution of Pakistan's difficulties. The representative of Pakistan stated that Pakistan was making great efforts to promote manufactured exports and had encountered at least four different sets of problems. First, there was need for foreign exchange to establish industries capable of becoming efficient producers of exports. Then, once established, there was the problem of adjusting monetary and fiscal policies so as to avoid local consumption of the entire output of the new industries and of diverting a suitable proportion into export channels. The export bonus system, discussed more fully below, had made some contribution in both contexts. Various other export promotion measures discussed in the background material were also being used. Next, there were problems of access and marketing. Import restrictions in most of the developed countries had been especially troublesome in Pakistan's efforts to promote cotton manufactures. For other products, marketing problems of a more general kind existed, and an export promotion bureau had been established for the purpose of making market research studies and estimates and channelling the information back to the producing industries through an extensive committee system, consisting of representatives of both Government and industry, which included as one feature of its work the setting of export targets and dissemination of information on results achieved.

System and methods of the restrictions

14. Members of the Committee expressed great sympathy for the short-run problems which have forced Pakistan to impose and maintain the complex system of restriction to which reference had already been made in the earlier part of the consultation. They recognized that Pakistan as a developing country had need for measures of import control and that the system was consistent with Pakistan's obligations under GATT. They nevertheless expressed the hope that Pakistan might be able to simplify the system in the near future. It was also reiterated that though to some extent a necessary short-term evil, the use of quantitative import restrictions would certainly hamper the development process by permitting resources to be allocated in ways less efficient than might otherwise be the case; the same would of course be true for measures taking the form of multiple exchange rates or bilateral arrangements.

15. The representative of Pakistan referred to the exceptional difficulties his country had encountered particularly in fiscal 1965-1966 - political events, unfavourable conditions in agriculture, and delay in aid arrivals - and said that in the circumstances his Government felt that considerable progress had already been made in returning to the liberal policies followed up to that time. For example, Pakistan had placed its import programme on an annual basis in 1966-67, instead of continuing on the former six-monthly basis. A number of administrative measures had been taken to simplify the licensing procedures. Also a large number of items had been restored to the free list and the bonus import list had been enlarged, with the result that the number of items under direct import control was smaller than ever before. The representative of Pakistan went on to explain that in view of the central rôle that planning played in his country there was little danger of misallocation of resources as a result of the current foreign trade policy. Certainly, Pakistan accepted fully the objective that imports should be liberalized as and when foreign exchange availabilities permit. As concerned the Export Bonus Scheme, it had been instituted as a temporary measure and would be removed as soon as feasible; it was presently authorized only to the end of the current Five-Year Plan (to the end of 1970). Since its introduction in 1959 it had not only aided substantially in promoting manufactured exports but had helped to liberalize imports, as had been recognized by an impartial study of Pakistan's economic policies. The value of exports under the scheme increased, between 1959-60 and 1965-66, from PRs 145 million to PRs 570. As prices of goods imported under the bonus scheme move freely, and respond to the amount of premium paid by the importer, the scheme had helped to give greater play to market forces as a regulator of the level of imports. Pakistan would welcome any advice or assistance in meeting the difficulties more effectively.

16. As concerned another feature of Pakistan's trade policy, its bilateral agreements, he recalled that most of Pakistan's agreements were with centrally planned economies and that Pakistan was not in a position to change the method of trade of those countries. The trade involved was relatively small, but valuable.

17. Members of the Committee welcomed the statement that Pakistan remained attached to the objective of transferring reliance for regulation of the economy to the price mechanism and expressed understanding for the difficulties of the past few years. They continued to have some doubts, however, as to whether the measures currently being used were the best that could be devised and would enable progress toward liberalization to be resumed promptly. They hoped that in the continuing review of the situation, measures would soon be taken to improve matters further.

18. Explaining the restraints under which the Government of Pakistan formulated its import policy, the representative of Pakistan quoted the following two paragraphs from the World Bank Report entitled "Current Economic Position and Prospects of Pakistan" dated 19 April 1967:

"As to import controls, their abolition, though it continues to be a high priority desideratum, must be realistically viewed against the rôle that is played by non-project aid. The latter and the conditions surrounding its use is both a vehicle to permit liberalization, and an obstacle to the removal of all controls. Its tied nature may prevent its utilization or purchases from the cheapest source, and therefore, necessitates quantitative restrictions on the latter. Since non-project aid, which is largely tied both by source and by commodity, finances over 35 per cent of total private imports, Pakistan can only pursue partial liberalization.

Therefore, the extent to which the Free List can be re-established without the multiple restraints, which at present are attached to it, is limited. The paramount need for a continuity of whatever degree of freedom is adopted argues for a conservative approach. Liberalization is further limited by the low level of reserves."

He, however, promised to convey to his Government the emphasis that the members of the Committee placed on the desirability of further liberalization in the import policy of Pakistan.

19. A specific question was raised as to the working of the free list under which certain new materials are imported; it appeared from the background material that for some seventeen items on the list licences were valid only for imports from a specified source. Furthermore, for all imports under the free list, it developed that there were limits on the amount of exchange available which operated through limits on the letters of credit which could be opened by any one importer. The hope was expressed that at a minimum the administrative limitation on letters of credit might be eliminated.

20. The representative of Pakistan confirmed that the free list operated as described in the background material. He also acknowledged that despite Pakistan's best efforts, the situation at present was not quite as liberal as it had been just prior to the onset of difficulties two years ago. The limitations on letters of credit, like other remaining regulations, was considered necessary, for the time being, to avoid a situation which might necessitate drastic restrictions. He could not hold out much hope that new items would be added to the free list in the immediate future for the list had been part of arrangements adopted in the light of overall expected exchange availabilities at the time when the budget was drawn up, and unless there were a corresponding change in aid prospects it was difficult to see how a relaxation could be financed.

21. Interest was also expressed in various aspects of Pakistan's trade under aid and barter agreements. One member pointed out, for example, that for his country the value of Pakistan imports for which his country could compete on a commercial basis was less than half of the aggregate of Pakistan's import trade, and this figure would of course be further reduced by the fact that his country would not be competing for the supply of some products purchased by Pakistan. As a matter of fact the products which would be of greatest interest were precisely within the sector where aid conditions were influencing choice of sources of supply considerably. State trading applied to some such products also, and he wondered whether that was necessary or desirable. In any event he hoped that Pakistan would to the extent possible take account of traditional suppliers' interests. The representative of Pakistan assured the Committee that his country had bought and would continue to buy on commercial, not political, considerations wherever possible, given the terms of aid and other agreements. He added that Government handling of essential foodstuff imports had been adopted as the most equitable and effective way of ensuring the internal distribution of food; social unrest might be the consequence of poor geographical distribution of supplies or high prices. The distribution of food received as aid at appropriate prices also had an important bearing on the performance of the agricultural sector. For the time being, therefore, the Government of Pakistan could not transfer this sensitive item to the private sector. Coal might be a different matter, but that trade was smaller in any case. He acknowledged that there had been some discussion in the newspapers about extending State trading somewhat but knew of no decision to do so.

22. In response to other questions about the extent to which aid arrangements might in some or a few cases perhaps amount to de facto discrimination, the representative of Pakistan emphasized that Pakistan designates the permitted source of supply only where necessary to comply with aid terms. Pakistan would of course be only too happy to see more aid granted on an untied basis and would indeed join in any concerted plea that might be initiated to call attention to the desirability of granting a greater percentage of total aid on a free basis.

23. In reply to a question as to how imports are divided as between the various systems of granting licences, as described in BOP/70, the representative of Pakistan said that in a recent year free list imports had amounted to PRs 719.5 million, bonus scheme imports to PRs 413.9 million, and other imports to PRs 803.6 million.

Effects of the restrictions

24. Members of the Committee regretted that on this occasion they were unable to record new progress by Pakistan toward liberalization by comparison with the situation which prevailed at the time of the last consultation in 1964. On many policies there remained some net worsening of the position, in spite of some favourable developments since the most critical period. Thus there were some new bilateral payments agreements, some proliferation of multiple exchange rates and special surcharges on all imports other than machinery. Very recently there have also been some reports of additional restrictive measures, possibly

including a return to a six months' basis of programming imports, though this had not been confirmed. In any event, members of the Committee considered that the system of import control could hardly be regarded as growing less complex, and urged that Pakistan consider carefully the suggestion in the International Monetary Fund decision that the country would benefit greatly from a reform of the system particularly with a view to liberalizing imports on a broad front. More generally they suggested that profiting by the protection resulting from import controls and under the guise of "import substitution" some industries might have been established in circumstances in which they had little or no prospect of becoming competitive in world markets. Export promotion efforts were to be welcomed in this context as helping to channel investment into industries with the best chances of success. It could be hoped also that machinery and materials needed by those industries would be given the freest access to the Pakistan market as a help in export promotion. Such a programme combined with continued effort to develop agriculture and attention to the fiscal and monetary matters discussed earlier would surely strengthen the overall economic position of Pakistan.

25. The representative of Pakistan stated that his country was committed to a liberal import policy not only because such a policy would be in conformity with the GATT rules, but also because it was in his country's long-term interest to do so. The only reason which had prevented Pakistan from liberalizing its import policy even more was the scarcity of foreign exchange. He acknowledged that there had been an interruption in the process of liberalization undertaken since 1960, but stated that efforts were again being deployed to strengthen the liberal trend. He added further that even during the most difficult period restrictions had not gone back to the pre-1960 levels. In so far as import substitution was concerned he wished to stress anew that his country placed the greatest emphasis on the establishment of export oriented industries and that the import substitution alternative was only followed after very careful study. Protection was granted at the recommendation of the Tariff Commission on a temporary basis after a very thorough scrutiny of applications received from industry and in many cases protection had been withdrawn. The representative of Pakistan reiterated finally that it was his Government's firm policy to move towards greater liberalization of import regulations as soon as this policy became compatible with his country's overall balance-of-payments situation.

General

26. The Committee thanked the representative of Pakistan for the interesting and informative response which he had given to the Committee's questions. The representative of Pakistan promised to bring the views and suggestions of members of the Committee to the attention of his Government.

ANNEX IINTERNATIONAL MONETARY FUND EXECUTIVE BOARD DECISION
TAKEN AT THE CONCLUSION OF THE FUND'S CONSULTATIONS WITH
PAKISTAN ON 4 MAY 1967...

1. This decision is taken by the Executive Directors in concluding the 1966 consultation with Pakistan pursuant to Article XIV, Section 4 of the Articles of Agreement.
2. Pakistan achieved an impressive rate of growth during the Second Five-Year Plan ended on 30 June 1965, while maintaining a substantial degree of internal and external stability. This growth was made possible by a high level of external aid as well as improved mobilization of domestic savings. The momentum of development was interrupted to some extent in 1965/66, but has been largely restored in 1966/67. An inflationary situation that was emerging toward the end of the Second Plan period has, however, gained strength with the continuation of domestic credit expansion at a high rate, coupled with a reduced level of foreign aid.
3. Public sector reliance on bank credit was excessive in 1965/66 and contributed to the high rate of monetary expansion. While the size of the bank-financed deficit was reduced substantially during the first half of 1966/67, a sharp increase in credit to the private sector maintained monetary expansion at a high level. The resulting pressure on resources has been reflected in rising prices and a decline in external reserves. The Pakistan authorities have indicated their intention to keep public sector reliance on the banking system at a low level and have taken some steps to curtail the increase in credit to the private sector. The Fund urges Pakistan to maintain fiscal restraint and believes that additional steps to curtail the expansion of credit to the private sector will be necessary.
4. Pakistan's import and exchange system remains restrictive and complex. The Fund believes that Pakistan would benefit greatly from a reform of this system, particularly with a view to liberalizing imports on a broad front. Such a policy would require an effective curbing of inflationary pressures and an adjustment of the exchange system, especially as it affects imports. With regard to exports, the inadequacies of the official exchange rate are compensated for through the operation of the Export Bonus Scheme which gives rise to a multiple exchange rate structure. However, since the last consultation there has been an addition to the number of effective rates, adding to the complexity of the Scheme. Pakistan should not long delay re-establishing a unitary rate structure at a realistic level; but the Fund does not object to the present arrangements on a temporary basis. In the meantime, Pakistan should increase its efforts to simplify the operations of the Bonus Scheme and avoid further rate proliferation. The Fund urges that Pakistan terminate its bilateral payments arrangements with Fund members and keep under review such arrangements with non-members.

ANNEX II

Opening Statement by the
Representative of Pakistan

1. Mr. President, I have the privilege to present the background document prepared by the Government of Pakistan for these consultations in compliance with article XVIII:12(b). Read with document BOP/36, the document explains the legal and administrative basis of the restrictions relating to import and export trade of Pakistan, methods used in controlling imports, treatment of imports from different sources including information on the use of bilateral agreements, commodities or groups of commodities affected by the import restrictions, import under State trading, and measures taken since the last consultations to relax or otherwise modify the restrictions.
2. The document also explains broadly the general objectives of Pakistan's foreign trade policy which has to be viewed in its correct perspective. Pakistan's foreign trade policy has been an important instrument in the successful implementation of our development plans and will continue to carry a major burden in this regard by securing the desired acceleration of investment, production and exports. The fact that we have not been able to carry our policy of import liberalization to the extent that we would have liked it to go, is not due to any lack of will on the part of the Government, but because of the scarcity of foreign exchange resources which are of vital importance for the implementation of development programmes.
3. As it has been stated in the background document before us, the main feature of Pakistan's import policy since 1960 has been a trend towards liberalization and a movement away from direct administrative controls towards fiscal and monetary controls. Since July 1965, the import policy of the Government is being framed on a yearly basis, as against six-monthly basis in the past. This measure represents another step forward in the process of simplification and liberalization of import restrictions. Stated broadly, the main objectives of our import policy has been to reduce administrative controls on economic activity, to secure a better allocation of resources through the market mechanism and ensure a higher growth rate by a fuller utilization of installed capacity.
4. We made satisfactory progress in attaining these objectives during the Second Plan period, but there has been a temporary interruption in this progress during the first two years of the Third Plan. The shift towards a liberal import policy was based on the assurance of continued financial support in the form of non-project assistance. There was a sizeable shortfall in the availability of such assistance in 1965-66 and delays in the actual flow of non-project assistance in 1966-67. At the same time the drop in food production due to severe drought conditions in West Pakistan, coupled with less than expected arrivals of Public Law 480 supplies, cost the country \$115 million in foreign exchange or short-term liabilities for food imports.

5. These factors necessitated several adjustments in the import policy. There was a sharp depletion of inventories in 1965-66. Since the resources available were not adequate to meet current demand or to restore inventories, the introduction of administrative restrictions to curtail imports within available resources was unavoidable. The Government is anxious to carry forward the liberal policy framed for imports provided an adequate measure of support is available to permit this restoration. It is, however, clear that unless the support and appreciation which Pakistan has received from international institutions like the GATT, the International Monetary Fund and the World Bank for its liberal commercial policies, is matched by adequate financial assistance on a continuing basis, the implementation of these policies will remain subject to serious strains and uncertainties.

6. I hope, the Committee after an examination of the background document, and after such clarifications which they may wish to have in the course of our discussions, today, will be satisfied that the import restrictions imposed by Pakistan are in accordance with the provisions of Section B of Article XVIII of the General Agreement, and have been necessitated primarily in order to implement its "programmes and policies of economic development designed to raise the general standard of living of the people", "to safeguard its external financial position" and to ensure an adequate level of foreign exchange resources.