GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED
L/1721
9 February 1962
Limited Distribution

Original: English

# PAKISTAN IMPORT RESTRICTIONS

## Import Policy for January-June 1962

By letter dated 17 January 1962 the Government of Pakistan has transmitted to the secretariat the following documents relating to its import control and restrictions to be applied during the shipping period January-June 1962:

1. Public Notice No. 72(61)/IMPORT-R on "Import policy for January-June 1962".

2. Press statement made by the Minister of Commerce on 2 January 1962.

3. Press Release on an announcement made by the Chief Controller of Imports and Exports on 26 December 1961.

The Public Notice referred to in (1) above was published in the Gazette of Pakistan (Extraordinary) dated 30 December 1961. This, as well as the press statement referred to in (2) above, is on file and can be consulted at the secretariat. The announcement of the Chief Controller referred to in (3) above contains a description of the policy and measures to be in force for the shipping period in question. This is reproduced on the following pages for the information of the contracting parties.

## PRESS RELEASE ON THE BROADCAST MADE BY THE CHIEF CONTROLLER OF IMPORTS AND EXPORTS

Mr. S. B. Awan, Chief Controller of Imports and Exports announced the Import Policy for the shipping period January-June, 1962 in a broadcast from Radio Pakistan tonight.

The new Import Policy follows the existing liberal pattern and is in conformity with the intention of the Government to provide maximum facilities for import of essential goods and industrial raw materials.

In the Import Policy for July-December, 1961, 49 items were on OGL. The OGL list under the new Import Policy will have 48 items with the exclusion of building and engineering material (other than that made of wood and iron).

The Import Policy for July-December 1961 had 14 items under automatic licensing. The automatic list will continue as before under the new Import Policy.

Under the new Import Policy the licensing of industries over a broad range has been linked with their export performance. This is necessary to ensure that our export earnings bear a close relationship to the rise in our import bill.

Government have, therefore, decided that the request group of industries should now be directed to turn their attention towards entering markets abroad. In order to enable them to do so additional incentives are being provided. The request group will be licensed initially at 80 per cent of what they received in July-December, 1961. Thereafter, licences will be issued to units in this group at 100 per cent of the f.o.b. values of exports which are covered by a letter of credit opened by a foreign importer or a bank guarantee certifying firm export orders.

The above procedure will not apply to the following industries which have substantial exports to their credit:-

1. Sports goods
2. Surgical instruments
3. Guar gum
4. Tanning
5. Musical instruments
6. Carpet-making
7. Bone meal

These seven industries will continue to receive licences on request basis as in July-December, 1961.

Since the present distribution of importers shows a very high degree of concentration in the principal towns, i.e. Karachi, Lahore, Dacca, Narayanganj and Chittagong, fresh licensing under the OGL will exclude applicants from these towns so that importers in the interior of the country may have greater opportunity to secure entry in the import trade.

Following is the full text of Mr. Awan's broadcast:-

The industrial progress made by Pakistan is reflected in the new Import Policy.

There has been a general increase in output since the importation of industrial raw materials and spare parts for a great number of industries was placed on request and automatic basis. While the industrialists' assessment of their requirements was not fully justified in all cases and many demands were inflated, the legitimate needs were adequately met so as to ensure economical operation of industry on more than single shift basis.

The present policy had two objectives: freer availability of goods in the market and increased exports. The availability of Pakistani manufactured products has improved to a very large extent. Simultaneously, the import liability has been greatly enhanced as a consequence of liberal policy. Since exports have not expanded sufficiently, the situation calls for a rapid increase in the foreign exchange earnings of that sector of the industrial economy which is capable of doing well in the export field. It has become necessary to think of measures for continuing the rising trend of production and of exporting the surplus created thereby to foreign markets, a number of industries have already been provided with equipment for balancing and modernization, thereby helping them to lower costs and improve the quality of their manufactures which would enable them to compete successfully abroad.

Government have, therefore, decided that the request group of industries should now be directed to turn their attention towards entering markets abroad. In order to enable them to do so, additional incentives are being provided. The request group will be licensed initially at 80% of what they received in July-December, 1961. Thereafter, licences will be issued to units in this group at 100% of the f.o.b. values of exports which are covered by a letter of credit opened by a foreign importer or a bank guarantee certifying firm export orders.

The arrangement would remove any complaints regarding non-availability of foreign exchange for fulfilling export orders. The defaulting units, i.e., those who obtain extra foreign exchange under the scheme but whose performance falls short of the undertaking will be required to surrender equivalent amount of foreign exchange in the shape of bonus vouchers. Particular attention will be paid to ensure that the manufacturers of well-known brands do not continue to confine their attention to the exploitation of the internal market, but divert their attention to promoting sales abroad. With existing stocks, the proposed level of initial licensing will be sufficient to meet home demand. The intention is to gear part of our industrial capacity to production for export.

## RESPONSIBILITY OF INDUSTRIES

The scheme seeks to place the responsibility for earning more foreign exchange on a broader sector of industry than before, and its advantages in securing a surer basis for the economy are only too obvious.

The above procedure will not apply to the following industries which have substantial exports to their credit:-

1. Sports goods
2. Surgical instruments
3. Guar gum
4. Tanning
5. Musical instruments
6. Carpet-making
7. Bone meal

These seven industries will continue to receive licences on request basis as in July-December 1961. Government expects that they will continue to improve their export earning.

The extra incentive which has been provided in the scheme is expected to contribute significantly to the continuing expansion of the economy and would serve to ensure that the size of the domestic market does not, by itself, restrict the growth of output of existing units. It would also maintain stable employment for more people and help raise the standard of living. The new import policy is, therefore, designed to increase industrial production and to channel a part of it into the export market, while maintaining supplies in the home market at a satisfactory level.

In addition to the licensing facilities afforded to the request group, a scheme is being prepared to enable other industries to obtain additional licences for raw materials against firm export orders. If it is found necessary to provide balancing and modernization equipment to an industry to enable it to improve its export performance, adequate provision for this will be made in the proposed scheme.

The automatic basis list of industries has been expanded from 18 to 36. It will be recalled that these industries were given initial licences at 125% of their assessed capacity in order to replenish stocks of raw material. As the present stock position is satisfactory, industries on this list will receive initial licences at 100% single shift assessed capacity and repeat licences at the same level, on production of bills of entry showing 75% utilization of the earlier licences. As before, the remaining industries will be licensed at factors not lower than those obtaining in the July-December 1961 shipping period, with the exception of the bidi and woollen industries. In the case of the bidi industry, the Kumbi leaf and cheap cigarettes are partially replacing imported leaves. The variation in licensing to woollen industry is seasonal, besides the fact that imported woollen cloth is available to satisfy more expensive tastes.

A side effect of the liberal import policy has been the accumulation of large stocks both of imported raw materials and spare parts, as well as finished goods. Whereas this accumulation may have resulted partly from the need to build up inventories, it is not unlikely that some importers may be holding stocks in the hope that if conditions of shortage were to recur, they may get windfall profits. In order to move the stocks into the market, Government have decided that before licences are issued in the next shipping period, importers will be required to submit a declaration of stocks held by them or by the banks on their behalf, so that excess stocks held at present are liquidated and there is no over-burdening of the economy. Any hold-up in this process of clearing the supply pipleline may prevent imports from finding

their true level without costly misjudgement on the part of the importers of the true needs of the market. The real market demand at current prices has shown signs of abating, and it is proposed to take these facts into account by making procedural adjustments.

## REPEAT LICENCES

The system of issuing repeat licences will continue to be based on production of bills of lading as evidence of utilization, to the tune of 75%, except in the case of iron and steel, metals (non-ferrous and ferro alloys) excluding copper and aluminium, commercial vehicles, auto-rickshaws and motor scooters, automotive spare parts, in whose case bills of entry equal to 75% of the value of the earlier licence will be required.

In the commercial sector the liberal licensing has led to substantial reduction in the prices of essential items, and the supply position in general has very considerably improved. A number of relatively inessential items or items in respect of which domestic production is now adequate, have been placed exclusively on the bonus import list. In the first category would fall white and coloured portland cement, electric instruments, apparatus and appliances, and parts and accessories thereof, miscellaneous provisions of all sorts, and food colours, building and engineering material other than iron and wood, refrigerators, fibre board, hard-board etc., and musical instruments. In the latter category are sheet glass, electric accessories and fountain pens.

Requests for electro-medical equipment received from bonafide medical practitioners through the Health Authorities, will continue to be licensed on individual merit. Pressure lamps, finished cycles and domestic sewing machines will not be allowed to be imported in West Pakistan in view of adequate domestic production. Cycle valves will not be licensed for the same reason.

The arrangement under which cement from West Pakistan is being supplied to East Pakistan has proved satisfactory, and will continue.

## OPEN GENERAL LICENCES

The number of items which are licensed exclusively to industry will be 38. In the current period 49 items were on OGL, with 14 items under automatic licensing. The OGL list will now have 48 items, with the exclusion of building and engineering material (other than that made of wood and iron). The automatic list will continue as before.

The experience in this respect showed the popularity of certain items such as tractors, motor-cyles and scooters, auto spares, books, vacuum flasks, milk food, etc.

In East Pakistan particularly, iron and steel, trucks and buses, asphalt, pitch and tar, condensed milk and silbatta, proved to be very attractive. The number of new importers admitted under OGL during the period January-November 1961 was very large. Most of the increase - no less than 77%, representing 13,300 new importers - took place in East Pakistan where new licensees took more than half the total value licensed in the commercial sector. It was found

that not all the newcomers were genuine traders or had adequate business experience with sound financial background. A survey of new importers/applicants is now in progress, in order to eliminate fictitious firms and unsuitable parties.

This has made it necessary to modify the conditions for admissibility under OGL to ensure that licences do not fall into the hands of bogus claimants or persons not properly equipped for engaging in import trade. Since the present distribution of importers shows a very high degree of concentration in the principal towns, i.e., Karachi, Lahore, Dacca, including Narayangunj and Chittagong, fresh licensing under the OGL will exclude applicants from these towns so that importers in the interior of the country may have greater opportunity to secure entry in the import trade than they would otherwise have had. A Public Notice listing the conditions prescribed, is being separately published.

In the agricultural sector, tractors, plants and vegetable and flower seeds will remain on the OGL list.

Importers, whether commercial or industrial, may apply for lower values of licences than they might be entitled to, without prejudice to their future licensing.

The framework of the new import policy follows the existing liberal pattern, and is in conformity with the intention of the Government to provide maximum facilities for import of essential goods and industrial raw material. The administration changes which have been introduced are intended primarily to ensure proper utilization of licences and expeditious movement of accumulated stocks into the market.

The licensing of industries over a broad range has been linked with their export performance. This is necessary to ensure that our export earnings bear a close relationship to the rise in our import bill; Government has full confidence in the ability and capacity of the industrialists to enter and establish themselves in foreign markets. It is now for the industrialists to justify this confidence and take constructive steps to explore and develop export markets for their products.