

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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## CONSULTATIONS UNDER ARTICLE XII:4(b)

### Results of the Consultation of the International Monetary Fund with Pakistan

The following results of the consultation between the International Monetary Fund and the Government of Pakistan pursuant to Article XIV, Section 4, of the Fund Agreement have been transmitted to the CONTRACTING PARTIES as relevant for their consultation with Pakistan under Article XII:4(b) of the General Agreement. The Fund has also supplied a background paper prepared by the Fund staff in connection with the Fund consultation. A copy of this has been sent to each delegation attending the Eighth Session.

"The Government of Pakistan has consulted the Fund under Article XIV, Section 4 of the Fund Agreement concerning the further retention of its transitional arrangements.

"The Fund has noted the efforts by the Pakistan Government to meet the situation arising out of the marked decline in foreign exchange earnings resulting from the fall in prices, especially of jute and cotton. In particular, the Fund notes the steps taken both to balance the Central Government current budget by curtailing expenditures, while maintaining a high level of taxation, and to bring its external accounts into balance.

"At the same time, the Fund views with some concern the potential inflationary effects of the expenditures on capital account, the adverse effects on the domestic supply position of severely intensified restrictions on imports of consumer goods, and the present liquid position of the banking system. The Fund notes, however, the determination of the Government to increase production, to encourage private savings, and to prevent the emergence of inflationary pressures.

"Pakistan has achieved balance of payments equilibrium but at a much reduced level of trade, with the intensified use of restrictions and with the continuation of a dollar deficit. Moreover, Pakistan reserves remain low. The Fund recognizes Pakistan's need for its existing restrictions under present conditions, but wishes to stress the need for continuous efforts in the fields of fiscal and monetary policy to maintain domestic stability. The Fund expects that, as the

balance of payments position improves, the Pakistan Government will, as in the past, gradually relax its present restrictions.

"In concluding the 1953 consultations, the Fund has no further comment to make on the transitional arrangements maintained by Pakistan."