

GENERAL AGREEMENT ON  
TARIFFS AND TRADENo. 31  
CP. 5/K/SECRET/9  
23 November 1950  
ORIGINAL: ENGLISH

## CONTRACTING PARTIES

WORKING PARTY "K" ON CONSULTATIONS UNDER ARTICLE XII:4(b)RESTRICTIONS BY PAKISTAN ON IMPORTS FROM THE DOLLAR AREA

Statement made by Mr. G. Aziz Ahmad  
on behalf of the Pakistan Delegation  
at the 10th Meeting  
held on Thursday, 23 November, 1950 at 10.30 a.m.

In view of the various statements already made on behalf of the Sterling Area, and also the background material provided for these consultations by the International Monetary Fund, it is only necessary for me to state our case briefly.

Pakistan explained to the Working Party at the fourth session in Geneva that, as a result of the agreement reached in July 1949 among the Commonwealth countries (Sterling Area), it was decided to reduce their demand on the Sterling Area reserves in respect of imports from dollar account countries by 25% below the level of 1948. This was done on account of the deterioration of the Sterling Area dollar position before July 1949. Pakistan's balance of payments with the dollar area has continued to show a substantial deficit. The following table gives the balance of payments between Pakistan and the Dollar Area since 1948:-

Pakistan's Balance of Payments with the Dollar Area (U.S.A. Dollar Millions).

1948	1949				1950	
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter
Imports	29	33	15	7		
Other	2	2	2	1		
Total	54 <sup>(1)</sup>	31	35	17	8	
Exports		16	11	3	3	
Other		-	-	-	-	
Total	35 <sup>(1)</sup>	16	11	3	3	
Deficit	19 <sup>(1)</sup>	15	24	14	5	1 <sup>(2)</sup> 13 <sup>(2)</sup>

In the circumstances, therefore, the monetary ceilings for the American Account Area during 1949/50 were reduced by 25%. The monetary ceiling for 1948/49 from the entire hard currency area was 239,628 million Rupees. It is estimated that three-quarters of this figure applies to the American Account Area. The ceiling for the American Account Area during 1948/49 would be 179,721 million Rupees. The monetary ceiling for 1949/50 was fixed at 132,711 Rupees for the American Account Area.

(1) The breakdown of this figure is not available as the State Bank of Pakistan only came into existence on 1st July 1948.

(2) Tentative U.K. estimates.

The technique of Pakistan import control, and the manner in which restrictions are applied, is admirably explained in the background material furnished by the International Monetary Fund. It is, therefore, only necessary to summarise briefly what has been stated in the Fund's paper.

For purposes of licensing, the year is divided into two shipping periods, viz., January to June, and July to December. Public notices inviting applications from the trade, and indicating the general policy, are issued on the eve of each shipping period by the Chief Controller of Imports and Exports. An overall ceiling for each shipping period is fixed on the basis of the foreign exchange earned by us, the sterling released by the United Kingdom from our wartime balances, imports made in the past, anticipated requirements of the country during the shipping period in question. After the ceiling has been fixed, it is distributed between the various categories of goods, having regard to the previous imports and future requirements of the items concerned.

It will be seen that the balance of payments figures, which I have given the Working Party, are not indicative of any substantial improvement. Despite this, however, the Government of Pakistan were able to liberalise somewhat the import programme from the dollar area. Particulars of the Open General Licence No.10, which came into force last July, are given in the International Monetary Fund's background paper on pages 33 to 43. None of the previous Open General Licences applied to the American Account Area, but under the new Open General Licence, tools and workshop equipment, and machinery, can be imported without an Import Licence from the American Account Area. Some selected chemicals; cotton twist and yarn, and cotton fabrics, can also be imported from the American Account Area. Thus, Open General Licence No.10 has a wider scope than any Open General Licence in the past. Also for this period, viz. July to December 1950, licences on the American Account Area will be issued in respect of drugs and machines, etc., automatically. Moreover, licences granted for import from any of the countries comprising the American Account Area have been automatically validated to cover imports from the whole of the American Account Area.

The statement I have read will, I trust, in conjunction with the Fund's background paper on Pakistan, and the Fund's report on the import restrictions of Pakistan, give the Working Party an appreciation of our situation. My Delegation are grateful to the Fund for the excellent work they have done in this matter, and for the compilation of figures and estimates pertaining to Pakistan, which, in a number of cases, were not readily available, and a considerable amount of research and thought was necessary to arrive at these estimates. The Fund's conclusions are, in the opinion of our Delegation, based on the realities of the situation as it prevails at present, and the Government of Pakistan hopes that the position would improve sufficiently, as soon as possible, to relax further whatever restrictions can be relaxed to encourage multilateral flow of trade. In this connection, it may be relevant to mention that when Pakistan came into existence, the harbour facilities for exports were a definite bottleneck. For our exports of Jute, the port of Chittagong needed considerable development. In 1948 this port could only provide three berths. It is now possible to provide berths at this port for thirteen ships simultaneously. Further development work is proceeding, and, in addition, a new port is being developed at Chulna. It is hoped, therefore, that in the not too distant future, the bottleneck on our exports will be largely eliminated.

The Government of Pakistan have also been giving attention to increasing the production of such commodities as are likely to find a ready market in the Dollar Area.

These, Mr. Chairman, are our hopes for the future. The present situation leaves no alternative to the import policy now being pursued.

In conclusion, it is only necessary for me to say that we shall take careful note of any views which might be expressed in this Working Party during these consultations. Myself, and my colleagues, will endeavour to give such further information as any members of the Working Party may desire.