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April 9, 1985

To: Members of the Executive Board

From: The Secretary

Subject: Meeting of the GATT Committee on Balance of Payments Restrictions

Attached for the information of Executive Directors is a report by the Fund representative on a meeting of the GATT Committee on Balance of Payments Restrictions, held in Geneva on March 22, 1985.

Att: (1)

Other Distribution:  
Department Heads

INTERNATIONAL MONETARY FUND

Meeting of the GATT Committee  
on Balance of Payments Restrictions

Report by the Fund Representative

April 9, 1985

The GATT Committee on Balance of Payments Restrictions met on March 22, 1985 under the chairmanship of Ambassador P.-L. Girard (Switzerland) for consultations under simplified procedures with Pakistan. The Fund representative was Richard Eglin.

1. Pakistan

In preparation for the consultation, the Fund had transmitted its latest Recent Economic Developments Report on Pakistan for the use of the CONTRACTING PARTIES. 1/ In addition, the Committee had before it documentation prepared by the Pakistan authorities and the GATT secretariat. 2/

The representative of Pakistan outlined the factors that had contributed to the weakening of Pakistan's balance of payments situation since the last consultation in the Committee in 1982. He noted that exports of cotton had fallen sharply in 1983/84 as a result of crop failure, and that, although the volume of rice exports had improved substantially, world market rice prices had remained depressed. Exports of cotton yarn and synthetic textiles had also declined. His Government was concerned by recent data indicating a continuing decrease in textile export earnings in 1984/85, due partly to new import restrictions imposed by the United States and partly to the continuing strength of the dollar and the weak economic recovery in Europe. Workers' remittances had fallen in 1983/84, in part because of the attractive rates of return available on foreign currency deposits outside Pakistan.

Pakistan's commercial policy favored imports of capital goods and industrial raw materials over consumer goods, which was appropriate for a developing economy. In July 1983, the Government had introduced a negative list of restricted imports to replace the positive list system that had been in effect since 1974. His authorities considered that the new system represented an important improvement in the transparency of import restrictions.

The Committee concluded, without discussion, that full consultations with Pakistan were not necessary, and decided to recommend to the GATT Council that Pakistan be deemed to have fulfilled its obligations under Article XVIII:12(b) for 1985.

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1/ SM/85/31 (2/4/85).

2/ GATT documents BOP/250 (3/5/85), BOP/2/86 (3/8/85), and L/5250/Rev.2 (12/16/83).

2. Other matters

a. Israel

The representative of Israel informed the Committee that the temporary import surcharge on certain luxury goods, introduced on October 3, 1984, had been abolished on February 5, 1985 and replaced by a special import deposit. <sup>1/</sup> The special import deposit had been fixed at a rate of 60 percent ad valorem, and was being reduced by 3 percentage points on the first day of each month, beginning on March 1, 1985, until February 1, 1986. The list of products subject to the special import deposit was the same as that which had been subject to the temporary import surcharge, with minor exceptions.

The Committee took note of this statement.

b. Incompleteness of the Committee's surveillance

The representative of Sweden recalled that, at a recent meeting of the GATT Group on Quantitative Restrictions and Other Non-Tariff Measures, the EC and U.S. delegations had drawn attention to the fact that a number of countries had notified the Group that they were maintaining restrictions for balance of payments purposes, but they were not consulting in the Committee on Balance of Payments Restrictions. He asked the GATT secretariat to contact these countries in order to ascertain why they were not meeting their consultation obligations, and to report back to the Committee at its next meeting.

c. Schedule of Committee meetings for 1985

The Chairman announced the following preliminary schedule of Committee meetings for the remainder of 1985.

October 7-11: Full consultations with Portugal, and simplified consultations with Egypt, Sri Lanka, and Turkey; and

December 2-13: Full consultations with Argentina, Colombia, Israel, and the Philippines, and simplified consultations with Brazil, Ghana, Peru, and Tunisia.

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<sup>1/</sup> GATT document L/5784.