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The Domestic Prices of Imported Commodities
in Pakistan A Further study

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I. Introduction

A system of effective quantitative restrictions on the supply of imported commodities will raise domestic prices of imports to levels well above their c.i.f. price plus taxes, tariffs, and a normal markup. In 1965, Pal estimated the magnitude of such scarcity premia for a number of important commodities for East and West Pakistan []. His study has proved very useful both in measuring the influence of quantitative restrictions on the price of imports and, equally important, in showing the structure or incidence of restriction-induced profits --- their distribution among consumption, intermediate and capital goods and their incidence relative to import policy.

Pal's study was unavoidably static in nature and does not allow us to trace the changes overtime. The purpose of the present paper is threefold: First, we want to provide a comparison with Pal's study using data collected after two years and after a number of changes in Pakistan's import policies. This part of the analysis is based strictly on Pal's commodity list. Secondly, in order to incorporate the shifts that have taken place between Pal's period and the present period, in importance of different commodities within the whole of the import bundle, we recomputed the scarcity premia on the basis of a new list of commodities and a changed set of weights (value of imports). Finally, we analysed the significance of above results for import control policy.

II. A Digression on the Operation of Bonus Scheme

A major change in the import policy between the period of Pal's study (1964) and the present one (1966) has been that

license to bonus, and in certain cases the commodity is imported under both license and bonus. This has two very important aspects. One is the impact of bonus scheme on the domestic price of the commodity concerned; the other is the implicit redistribution of income.

When a previously licensed item is put on bonus, given the demand for it, three things can happen: (a) price rises and quantity supplied declines, (b) price and quantity supplied remain the same, or (c) price declines and quantity supplied is increased. This can be illustrated by Figure 1. Let DD and PS represent the demand and supply curve of an imported commodity in the domestic market. If OX_0 is the permissible amount of imports on license then the price prevailing would be OP_0 . As the commodity is shifted to bonus it does away with the quantitative control that was applicable to it previously. Within the limit set by the total bonus voucher issued in a particular period, any amount of this item can be imported. However, this will lead to an upward parallel shift in the supply curve as the cost to the importer rises. Assuming duty and tax to remain the same the rise in cost would equal the bonus premium (price of bonus voucher).

Hence, it follows that the position of the new supply curve will be determined by whether bonus premium is greater, L^* than the license created profit then we get a supply curve like $P_1 S_1$, if it equal then we get $P_0 S_2$ and in case less than license created profit we have one like $P_3 S_3$. The exact position of $P_1 S_1$ and $P_3 S_3$ will depend on the magnitude of difference between bonus premium and previous licensed created profit (not on differences in bonus premium). If $P_1 S_1$ is the new supply curve then the new post bonus market equilibrium is reached at a price OP_1 which is higher than the pre-bonus price (OP_0) and quantity supplied declines from OX_0 to OX_1 . On the other hand if $P_0 S_2$ be the new supply curve, shifting of the item to bonus will not affect the equilibrium price and quantity,

L^* equal, or less than the previous license created profit margin. If the bonus premium is greater

Finally in the case when P_3 S_3 is the new supply curve the price prevailing would be OP_3 which is less than pre-bonus price and the quantity supplied will increase from OX_0 to OX_2 .

Fig. 1

There is an implicit redistribution of income in the above mechanism of the bonus scheme. As is well known this scheme gives a "surcharge" on imports --- borne by importer, consumer or both --- and a transfer of income in favour of the exporters who earn bonus vouchers. Exporters gain to the extent of the bonus voucher premium. In terms of Fig. 1 above, in the first case where post-bonus price exceeds pre-bonus price, $P P_1$ measures the total amount of income transferred to exporters per unit of import. In this case the burden of transfer is shared by the importer and the user. The importer's share is $P P_0$ and user's share is $P_0 P_1$. In the second case when the equilibrium price and quantity remains unchanged even after the commodity is shifted to bonus, the amount of transfer equals $P P_0$ and the whole of it is borne by the importer. Finally, when the price of the commodity declines as a result of shift to bonus, transfer takes place in two directions (both

from the importer) to exporters as bonus (PP_3) and to consumers in the form of reduction in price per unit of the commodity ($P_0 P_3$).

In certain cases some licensed items, especially those earmarked specified for industrial users only, are also allowed to be imported on bonus. This introduces some complications in our analysis of bonus imports. This is illustrated in Fig. 2. here we have a situation where for the same commodity two supply curve exists - one for licensed importers and the other for bonus importers who have to pay a higher price for their imports. Let $P S$ be the supply curve for license importers and LX_0 the license constraint.

Fig. 2

It is evident that there will be additional imports on bonus only if the bonus supply curve $P_1 S_1$ lies below the level $P_0 T$ where P_0 is the equilibrium price when the commodity is imported only under license. So, when this condition is satisfied, as is shown in our diagram (Fig.2) the effective supply curve of the commodity is $PQRS_1$. Hence market equilibrium is reached at a price OP_1 with OX_1 as the quantity supplied, of which OX_0 is imported on license and X_0X_1 on bonus. This is analogous to case three above, where transfer of income takes

place from importer to both consumer (in the form of reduced price) and exporter (bonus voucher premium). However, there is a difference in this case. While consumers gain over the whole range of bonus imports and importers retain some of their license induced scarcity profit PQR_1 . In the absence of exact information about the proportion of bonus and license import in such cases, we treated them as licensed items and calculated the scarcity premium accordingly.

III. Method of Analysis

In the following pages we computed the scarcity mark up -- the excess of domestic wholesale price over the landed cost of imports -- for both Karachi in West Pakistan, and Chittagong in East Pakistan during the period November 1966 to February 1967: Commodities were selected first, on the basis of the commodity list used by Pal and then, in order to provide an "improved" study reflecting changed import composition on the basis of a new list of commodity describing more recent imports. Landed cost includes c.i.f. price, duty, sales tax, defence surcharge and other minor charges viz. clearing charge, license fee, banking charge, wharfage, cost etc., payable by the importer ^{1/}. On bonus items we have

^{1/} More precisely, for items not on bonus, data were collected on domestic wholesale price (P_d), c and f price (P_w), tax (X) and tariff (t) rates. Landed price (P_L) was then computed as:

$$(1) P_L = P_w + (1.25)tP_w + (1.25)X \sqrt{P_w} + (1.25)tP_w + .045 P_w$$

So this is the sum of c and f price, tariff (including the 25% Defence Surcharge), tax (on value including tariff and with 25% Defence Surcharge), and (the last term) a 4.5% addition for handling and insurance. The markup δ , then, was simply

$$(2) \delta = \frac{P_d - P_L}{P_L}$$

For items on bonus, landed cost included the cost of foreign exchange on bonus vouchers -- i.e. the price X (as a % of bonus vouchers times c and f. So landed cost was:

$$(3) P_L = P_w + (1.25) P_w + (1.25) X \sqrt{P_w} + (1.25) tP_w + .045 P_w + X P_w / 100$$

The markup is then computed as in (2). Note, however, that this computation tends to bias -- the markup downward for bonus items since it increased the denominators and decreases the numerator.

to include further the premium paid by the importer for bonus vouchers. Commodities have been classified both by use category and by import control policy. While computing average scarcity premium for different groups of commodities (by use or by import policy) we used Pal's set of weights -- based on import volume -- for his list of commodities and for the new list we changed the set of weights according to value of imports during July-December 1966.

Selection of commodities and weights

For direct comparison with Pal's study we used the same list of commodities as that used by Pal. However, since imports of some items are banned now and there were a few others for which we could not collect necessary data, we recomputed the average for his study. These are reported as his. In this portion we used the same import quantity weights as Pal (value of imports during October 1964 to January 1965), in aggregating commodities both by use and by input classification. Selection of items in our "Improved" study is based on the composition of imports for 1964-65 under four digit commodity classification of the Central Statistical Office. Thus, like Pal's, our import list predates the period of study by only a few years. In general, we have included those four digit groups whose value of imports, during 1964-65 exceeded Rs. 5 million. Though in the intermediate goods group we included a few items which did not satisfy this absolute volume criteria but were relatively important within the group. Specific items within each four digit group were selected according to highest relative value of imports in 'Foreign Statistics', July-December 1964 published by Central Statistical Office. Values of imports of four digit commodity groups during July-December 1966 has been taken as weights to compute average mark ups. When there were more than one item within each group

the value of imports has been divided by number of specific items.

Collection of data

The basic data involved in this study are domestic wholesale prices of selected commodities, C&F price, rates of import duty and sales tax. The difference between prevailing wholesale price and landed cost (c.i.f. price plus duty and taxes) expressed as a percentage of landed cost is the scarcity premium.

For domestic wholesale prices there are few published sources. We carried out an extensive price survey in Karachi and Chittagong where prices were collected by interview mainly from wholesale and import markets. This may, in general, have introduced some error due to misreporting by the importers. We took two measures in order to reduce this. First where possible we compared our prices with those quoted in Karachi Market Bulletin official agencies such as the Central Statistical Office, Office of the Food Controller, East Pakistan Bureau of Statistics etc. Secondly, we checked with different official and non-official purchasing departments as to what price they pay for different imported commodities they buy from local market.^{1/} Except for a few cases all prices between two sources we took the average.

Collecting C&F prices raised different problems the most important of which is that importers usually consider them as trade secrets and do not reveal the C&F prices unless they have to. A few however volunteered information about the C&F price of some commodities. There is, of course the real possibility of overstatement of cost in those sources. C&F prices were also collected from official records of government and semigovernment organizations,^{2/} published bulletins issued

1/ In this respect most helpful were Department of Investment Promotion and supplies of the Government of Pakistan, PIDC, WAPDA, PCSIR (Pakistan Council of Scientific and Industrial Research), Atomic Energy Centre and few other large business and industrial concerns.

2/ Department of investment Promotion and Supplies. PIDC. WAPDA. Office of the Chief of the...

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by different government departments^{3/} and trade journals of foreign exporting houses^{4/}

Rates of duty and sales tax were obtained from the Pakistan Customs Tariff [10] and "The Law of Sales Tax" [9]. Gazette of Pakistan - Extraordinary gives the change from time to time.

The classification scheme by use

In Pal's 1964-65 study, commodities were classified into four broad groups: consumption goods, raw material for consumption goods, raw material for capital goods and capital goods.

However, division of intermediate goods into raw material for consumption goods and raw material for capital goods is dubious at best and becomes more so as the inter-industry flows become more complex -- too often the ultimate use of an intermediate goods is simply impossible to judge and only the inverse of an input output matrix for the economy could give an accurate assignment. In the absence of that sort of detail we have dropped this distinction and treated all intermediate goods in a single category.

The Comparison with Pal's Study

Had nothing changed since Pal's study except, say, the scarcity premia earned by individual goods, the comparison of our results with his would be straightforward and unambiguous. Any observed change in the pattern or level of scarcity premia for any group of commodities could only be the result of changes in individual margins for individual commodities. But in fact, many changes will have an influence on imports and the difference between Pal's aggregated results and ours will be an : of changing scarcity premia, changing treatment of goods in import policy, and changing composition of imports. So, a direct comparison of our results with Pal's, while very meaningful in

3/ Fortnightly Bulletin of the Office of Iron and Steel Controller, Government of Pakistan and 'Daily List of Customs issued by Customs Houses, Karachi and Chittagong.

4/ Peter Justesen & Co. Catalogue' - Denmark, Osterman Catalogue

terms of overall movements, fails to show why our results differ - what specific changes account for the movements over time.

To separate out the influence of each of these dimensions of change between the two studies we will present the comparison with Pal in three stages. The first captures only changes in composition of each import category - license, free list and bonus; the second isolates the influence of changes in scarcity premia on individual goods; and the third includes changes in composition of imports.

More precisely, in Pal's study of 1964-65 data, the average scarcity premium for a particular broad category of goods, say the n imported goods in East Pakistan, was computed as:

$$(1) \quad \sum_{i=1}^n W_{64i} P_{64i}$$

where each W_{64i} is the proportion of the i th commodity (group) in total East Pakistan imports during October 1964-January 1965 and P_{64i} is the mark up per unit of i th commodity. Since this set of observations was further subdivided into use categories - consumption, intermediate and capital goods - a the second type of index would report the scarcity premium for, say, the m consumption goods in East Pakistan imports as:

$$(2) \quad \sum_{i=1}^m W'_{64i} P_{64i}$$

where W'_{64i} is now the proportion of the i th commodity in East Pakistan consumption goods imports. Finally this set is further subdivided into groups of commodities receiving the same treatment under the import policy. So, for the k bonus consumption, for instance, the average scarcity premium is:

$$(3) \quad \sum_{i=1}^k W''_{64i} P_{64i}$$

where W''_{64i} is the proportion of the i th commodity in bonus consumption imports into East Pakistan.

While these are quite clear in the original study, difficulties of comparison arise when, in the present data for 1966-67, the scarcity premia, the set of goods in each

import category and the weights attached to these goods all have changed.^{2/} Taking this -- East Pakistan's imports of consumption goods on bonus -- as representative, our solution has been to compute the average scarcity premium, first using Pal's data throughout (adjusted for those few commodities not available at present giving a slightly modified statement of [3_7]), then using 1966-67 import classification -- those k consumption items on bonus of the later data -- to recompute the premium while still retaining Pal's weights and individual scarcity premia. In other words, we have computed:

$$(4) \sum_{i=1}^{k'} W''_{64i} P_{64i}$$

Compared with Pal's (3), this expression shows the influence of reclassification of goods as bonus items. If, for instance, (4) were ten per cent lower than (3), then it would be clear that the different commodities, k' , that make up the bonus group in the 1967 data carried lower premia even in the period of Pal's data and that that much of the decline in the average scarcity premium for bonus consumption goods as a whole is due simply to moving low premium items into that import category.

The next stage in the comparison separates out the influence of the change in scarcity premia of individual commodities between the two periods. In this, we use Pal's commodities (groups) and weights but the 1966-67 scarcity premia. This index is

$$(5) \sum_{i=1}^{k'} W''_{64i} P_{67i}$$

and when compared to (4), it shows how much of the total decline (or increase) in the scarcity premium is due to decline (or increase) in the scarcity premium on individual items.

Finally, an entirely "new" index which uses weights and commodities appropriate to the present import composition^{3/}

^{2/} We have not reclassified goods by use.

^{3/} Pal selected his commodities on the basis of detailed statistics of 1960-61 (assuming that they continue to be important during 1964, the period of his study), which was just the beginning of the Second Five Year Plan. Many basic changes took place within the economy as the Plan progressed. Both the
(Continued on next page)

would yield:

$$(6) \quad \sum_{i=1}^{k''} W_{67i} P_{67i}$$

This is presented as the best possible current estimate of the level and structure of scarcity premia (between groups of commodities, geographical areas and import categories) even though its direct comparability with either Pal's or our own earlier indices is limited since everything is changed -- the set of k'' consumption goods, the weights and the individual scarcity premia.

This, then, is the rationale of the comparisons of the next section. Part A deals with changes since Pal's study due to changed composition of import categories - changed treatment of individual commodities --, while Part B shows the changes in scarcity premia. Finally, Part C presents the "improved" study based on more recent import composition, more recent weightings and the scarcity premia of the present study.

IV. Empirical Findings

The results of our study are summarized in Table I. It is based on detailed figures given in Table II through VII.

A. Changes in Import Classification

The first stage of the comparison with Pal (Column (2) to (4) of Table I) shows the changes in average scarcity premia of different groups of commodities (by use or by import policy) due to change in import classification alone (Col. (5) to (7) of Table I). As a result no change takes place in the total average of each commodity group (by use). Only the average mark ups of subgroups (according to treatment under import control policy) change.

In general, average scarcity premium on bonus items in each category (consumption, capital and intermediate

Footnote from pre-page: rate of investment in industries and the structure of industries changed considerably. This necessitated the selection of a new set of commodities appropriate for the requirement of present period.

goods) has gone up very much. This clearly represents the movement of high items from the license and free list categories into the bonus list premium. The change is most sharp in bonus consumption goods where the mark up has gone up from around 7 per cent to above 55 per cent.

In contrast to bonus items, average mark up on licensed and free list items under each use category has changed very little except for licensed consumption goods. From above 55 per cent, it has gone down to around 25 per cent. This indicates that the average mark up on items withdrawn from license was much above the subgroup average in Pal's study. So not only has a significant group of consumption items been moved from license free list to bonus but it is a set of items which had above average mark up even when in the license and free list categories.

B. Changes in scarcity premia

At this stage we introduce average scarcity premia that have been calculated on the basis of present survey (Col. (8) to (10)). The list of commodities in each category remains the same as that of Pal's study, while the import categories reflect present policy i.e., This is index (5) above and it isolates the effect on average of changes in scarcity premia of individual goods. We shall first compare the results of this stage with those in (A) and then move on to make a direct comparison with results obtained from Pal's study.

In Pakistan as a whole the position according to import category suggests that licensed items carry the highest average scarcity premium. This is also true for both East and West Pakistan. When we classify items into different groups by use the above conclusion about the relative average scarcity premium by import category holds good except in the case of intermediate goods in East Pakistan where average is highest for free list items. However, compared to (A) in all cases there has been an increase in average scarcity premium for licensed items. It follows that compared to demand, licensing has been very stringent over time.

Comparison with (A) reveals that in all cases average scarcity premium on bonus items have declined sharply. In fact, according to our present study in no category of goods (by use) did average scarcity premium on bonus items exceeds 19 per cent. This strongly suggests that the bonus scheme has been very effective in wiping out excess profits for importers.^{5/}

Behaviour of average scarcity premium on free list items is very interesting. The average for the category as a whole has gone up over time, the maximum increase being in intermediate goods where average scarcity premium in East and West Pakistan are as high as 87 and 50 per cent respectively compared with 21 and 34 per cent in (A). This supports the belief that free list has not been very much of a success in liberalizing imports as Thomas [4] puts it, free list is not 'all' free in the true sense of the term. We shall return to this in the next section. Analysis by use category shows that intermediate goods carry the highest average scarcity premium. The conclusion holds goods for both East and West Pakistan.

Comparison with (A) suggests that in Pakistan as a whole average mark ups on intermediate and capital goods have gone up but that on consumption goods has declined. Fall in the average scarcity premium for consumption goods is very well explained by the fact that some of the most important items have been withdrawn from license and put on bonus which, as we observed above, has cut down their profit margins thus pulling down the group average.

Direct comparison with Pal (Col. (2) to (4) supports many of our conclusions above, viz. (a) average scarcity premium on free list items has gone up (from 30 per cent to 43 per cent in Pakistan as a whole), intermediate goods being most significant and (b) as per comparison on the basis of commodity groups by use, we can draw the same conclusion as we did while comparing results of present study with those of Pal's incorporating changes in import classification (A).

^{5/} When an item previously licensed or free list is put on bonus cost to the importer goes up substantially, the exact magnitude being determined by the prevailing price of bonus vouchers in the market. This obviously cuts down the profit margin.

A very important finding in our comparison of average scarcity premium is that while for Pakistan as a whole premium has changed very little (from 43 per cent in Pal's study to 44 per cent in our present study) there has been significant change in the relative position of East and West Pakistan. In contrast to Pal's finding scarcity premium is now higher in East Pakistan (51 per cent) than West Pakistan (41 per cent). It also reveals that over time the average scarcity premium on imported commodities has gone up in East Pakistan and down in West Pakistan (comparable figures for Pal's period are 41 per cent for East and 43 per cent for West Pakistan).

C. Changes in Import Composition

As a final stage, this part describes the (Col. (11) to (13) of Table 1) average scarcity premium on imported goods using consistently the most appropriate data .. under present circumstances. Here the list of commodities, the weights and the import classification all are appropriate to 1966-67, hence are all different from those of Pal's study. Not all commodities of course are different between the two studies. Here, however, we have selected those commodities which weigh high in the import bundle of 1966-67.

Using this newer import composition, we find that the overall average scarcity premium on imported commodities in Pakistan is 39 per cent. On the basis of Pal's commodity list the figure was around 43 per cent and when we used his commodity list and weights it was stable between the two periods. Considering the two wings separately, the average scarcity premium in East Pakistan is 45 per cent and that in West Pakistan is 36 per cent, confirming our earlier impression that the relationship between East and West Pakistan mark ups have changed over time - the average for East is now higher than that of West.

Considering commodities by use, the average mark up is lowest in consumption goods. This is true both in East and West Pakistan and it seems clear that the importance of bonus imports

in consumption goods group is sufficient to pull down the average mark up for the group as a whole.

Again, intermediate goods, on the other hand, carry the highest average mark ups. The figures are 62 per cent in East and 58 per cent in West Pakistan. This suggests that there is a high demand for raw materials. Another possible explanation for such high mark up on intermediate goods lies in the fact that there are many commodities which are on license or free list are for industrial users only. In such cases transaction takes place only in unauthorized black market where buyers have to pay a very high premium. In this respect we can cite such commodities as cocoanut oil (in East Pakistan, soda ash) (in West Pakistan), paper white printing, Animal Fallow etc. This explanation, in certain cases, may explain high scarcity premia on capital goods.

Taken according to import policy, the average scarcity premium in all groups of commodities is highest on licensed items followed by free list and bonus items respectively. The one exception is intermediate goods in East Pakistan where average mark ups is highest on free list items.

One interesting feature is a rather high premium on bonus intermediate goods both in East and West Pakistan (31 per cent in East and 25 per cent in West Pakistan). The only plausible explanation seems to be that at the time we collected the price there might have been a temporary shortage of some items due to supply bottleneck. If so, it suggests caution in interpretation of our results.

Mark up on individual items

While detailed presentation of individual items appropriately belongs in the appendix, in our survey we came across some extreme values for scarcity premium which need some explanation. Beer (536,917)^{7/} and Whisky (130,228) shows quite

^{7/} First figure indicates the mark up in per centage terms in West Pakistan while the second figure indicates the mark up of East Pakistan.

high profit margin for importers, which indicate that the value of total license issued is way below the demand that would have existed had there been no quantitative control. Radios (200,227) and transistor (145,160) carrying very high scarcity premia present a very unique case. These were on license during Pal's period but they have since been withdrawn from license and the only means through which these two items find their way into the country is personal imports. Persons travelling abroad may, once a year bring in one unit of these items free of duty and sales tax. A good proportion of such imports is sold to dealers who in turn resell them to consumers. Here, unlike any other case in our study, we compute the scarcity premia over c.i.f. price only so that it incorporates the importers' margin as well as the dealers margin. With a very high demand existing for such items (more because of people's preference for foreign assembled products) it is not surprising that the total scarcity premium on each of these items is very high.

Bonus items like domestic refrigerator (-9, 15) motor jess (2,2), motor scooters (1,3), bicycles (3,7) are characterized by very low scarcity premium. Of particular interest is domestic refrigerator, which comes out with negative premium in West Pakistan. Again personal import ^(without tax or tariff) appears to have an important role to play. We have here, two sources of supply (personal import and bonus) to the market but with substantial difference in cost. Whenever there is considerable inflow of such items from personal sources it tends to depress the price and calculation of scarcity premium on the basis of bonus price may result in negative profits. However, in East Pakistan there is positive profit margin for this item suggesting that the second source of supply does not play as significant a role there. Low profit margin on other bonus items could be a result of systematic overinvoicing (for a capital outflow of imports by the importers - a problem more severe for licensed imports but perhaps not absent in case of bonus).

High mark up on other items can be explained by temporary supply bottleneck (glycerine - 67,256; coal -- 123) monopoly profit (duplicating stencils - 118,101) and unauthorized sale of raw materials by industrial licensees (soda ash - 136,67).

In Section III we described the scarcity premia earned on imports of different groups of commodities in Pakistan. In this we will make a few comments on their implication for different aspects of import control policy. In addition, we shall present a few words of explanation for our findings about the relative scarcity premia of East and West Pakistan.

Interpretation of our results about scarcity premia on imported commodities necessitates a careful analysis of certain aspects of import control policy. In this context we shall concentrate our attention on the free list and bonus scheme, the two most important elements of import liberalization which has been a much noted feature of our economy in recent years.

As for free list several questions have been raised recently. The most important of them relates to the question of whether free list is really 'free'. A second and related question is whether it is performing its function properly. In an article published in this journal Thomas [4] has discussed these questions and his conclusions suggest that answers to both questions are in the negative. Numerous restrictions that go with the free list take away much of the freedom that is implied in the name. However, it was found that in spite of several restrictions surrounding it, in the initial year (1964) the free list had very favourable effect on imports which grew substantially -- prices of free list items fell about 6.7 per cent and industrial capacity increased with more raw materials available. But results of our study suggest that the situation has changed over time. The initial gains obtained from introduction of free list seem to have disappeared soon. Although no direct comparison of prices of free list items between two periods (1964-65 and 1966-67) can be made, we can, on the basis of our comparison of scarcity premium between the two periods, safely suggest how effectively import liberalization under free list has been carried through.

Such application of our results confirms the general conclusions (as mentioned above) drawn by Thomas, that while average scarcity premia on all items in Pakistan has remained stable at around 43 per cent between Pal's study and our study) average scarcity premium on free list items has gone up from 30 per cent to 43 per cent, the most significant rise being in intermediate goods (from 26 per cent to 67 per cent). This suggests that the market for raw materials has become very restrictive. Substantial excess demand exists at a price which would have been prevalent had no restriction been operative.

The above result has a few other important implications. (a) Free list imports are mostly supported by aid. It seems apparent that recent slowing down of the flow of aid had an important role to play in affecting the movement of scarcity premia on free list imports over time, as we have noted above. This undoubtedly confirms the belief that free list cannot continue to play its proper role unless a continuous flow of aid in sufficient amount is ensured for a number of years to come and/or a substantial amount of country's own foreign exchange earning is diverted to support it. (b) Regional break down shows that for intermediate goods category of free list items the average scarcity premium in East Pakistan has gone up very much between Pal's study and ours (from 25 per cent to 87 per cent in contrast to a relatively moderate movement from 34 per cent to 49 per cent in West Pakistan). This probably can be related to a particular problem associated with free list imports which results from the fact that unlike licensed imports, for free list import there is ^{not} requirement for wingwise allocation - no limit is set as to what proportion of the total import of a particular item will take place in each wing (in contrast, in case of licensed import the authority fixes the amount of import of each commodity into a particular region). This may very well lead to a particular wing absorbing a greater proportion of import of an item and thus creating a supply differential with

the other wing. (c) It has been suggested that under free list, imports may be monopolised by persons having bank support and storage capacity. Under the free list system a particular commercial bank is designated to handle the entire allocation for the import of a certain item and thus, the authority to select who should import is shifted from Chief Controller Imports and Exports to the bank concerned. Such selection is clearly influenced by the credit worthiness of the importers and this in general is said to favour big importers as against those with limited means. This may, by way of creating private monopoly in import sector, have some contribution to the existence of a very high scarcity premium on free list items. However, in the absence of data it is difficult to evaluate exactly the importance of this problem.

In view of the above it can be pointed out that it is only under bonus scheme that import liberalization has taken place according to both accepted definitions of the term. On the one hand, for the items on bonus there is reliance on market mechanism as to what to be imported and to what extent. On the other hand, as we have explained in Fig. 1 above, in certain cases when an item is shifted from license to bonus more import is possible upto the extent that it does not exceed the total amount of foreign exchange available for imports on bonus.

Finally we should comment on the movement of average scarcity premia in the two wings of the country. As we noted earlier the relative scarcity premia of the two wings has changed over time. In contrast the Pal's finding average scarcity premium is now higher in East Pakistan than in West Pakistan. It has gone up in the former and down in the latter. This change in the relative position of the two wings could as well be purely a supply phenomenon or a demand phenomenon or a combination of

8/ Discussion with Chittagong and Karachi Chambers of Commerce and Industry reveals that speculative hoarding of free list items by big importers has become a very common practice recently. Credit restrictions and other measures like setting of maximum limit to which letter of credit can be opened, which were specifically designed to check it do not seem to have met with much success.

both. On the supply side, a direct comparison of the value of imports into East and West Pakistan over the period July-December 1964 and July-December 1966 shows that imports have declined in both wings. However, it has declined more in East Pakistan 17 per cent) than in West (11 per cent). On the demand side, it seems that with the increasing high rate of investment in non agricultural sector and consequent high rate of growth of income in East Pakistan, during the Second Plan period there has been a significant shift upwards in the demand for imported commodities in that wing. So supply and demand factors appear to have played hand in hand to raise the prices and profit margins of imported commodities in the East Wing. The position of West Pakistan is somewhat complicated. In the face of a decline in imports we find that scarcity premium has also declined which seems paradoxical. If we assume demand to have remained the same then scarcity premium should have gone up, What seems to have happened is that demand for imports of certain commodities has declined sharply and this is less than compensated by increase in demand in other sectors. Hence it seems demand factor has played an important role in reducing the average scarcity premium on imported commodities in West Pakistan

2/ Moreover, it can be pointed out that East Pakistan's share in total imports into Pakistan (Defence import left out) declined from 33 per cent in Pal's study to 30 per cent in the present period.

10/ In fact some important items of import of the earlier period are no longer imported into West Pakistan since their demand is met domestically now, viz. sugar, cement (some import perhaps takes place on government account), coal etc. In addition to this serious food shortage in the recent period in West Pakistan might have had some dampening effect on the demand for imported consumption goods. Distortions in certain part of the province due to war might also have some role to play.

VI. SUMMARY AND CONCLUSION

In the preceding sections we have studied average margins on imported commodities in Pakistan over the period, November 1966 to February 1967. We first systematically compared these results with study done earlier by Motilal Pal. Then we selected a new set of commodities and examined what the situation looks like under present circumstances. Few observations were made regarding the implication of empirical findings for import control policy.

The major conclusions that emerge from the above analysis are summarized below:

i) For Pakistan as a whole there has been no change in average mark up on imported commodities. It has remained stable around 43 per cent despite "import liberalization". However our 'improved' study shows up a different figure (39 per cent).

ii) The overall relative position of East and West Pakistan has changed. Average mark up is now higher in East (51. per cent) than in West (41 per cent).

iii) The bonus scheme has been very effective in wiping out the excess profit margin of the importers.

iv) Licensed items still carry very high mark up (average * mark up on free list items which shows a substantial movement upwards (from 29.8 percent in Pal's study to 43.0 per cent in our comparative study).

v) One of the most striking feature is the increase in average mark up on free list items which shows a substantial upward movement (from 29.8 per cent in Pal's study to 43.0 per cent in our comparative study).

* is 62.8 per cent.

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TABLE - 1

Average Mark up on Imported Commodities in Pakistan

(1)	(2)	(3)	December 1964 - February 1965			(7)	(8)	November 1966 - February 1967			(12)	(13)
			(4)	(5)	(6)			(9)	(10)	(11)		
	East Pakistan	West Pakistan	All Pakistan	East Pakistan	West Pakistan	All Pakistan	East Pakistan	West Pakistan	All Pakistan	East Pakistan	West Pakistan	All Pak.
<u>Consumption Goods</u>	44.2	48.1	47.2	44.2	48.1	47.2	55.7	30.8	36.1	27.8	19.8	22.1
i)Licensed items	62.1	58.0	58.7	25.5	23.2	23.4	67.6	36.2	39.5	29.6	24.7	26.5
ii)Free List items	17.4	21.4	20.0	24.0	24.0	24.0	17.5	17.5	17.5	18.0	18.0	18.0
iii)Bonus Items	6.2	7.2	7.0	44.5	62.7	58.4	13.6	10.1	11.0	8.0	12.7	11.3
<u>Intermediate Goods</u>	41.5	38.0	40.0	41.5	38.0	40.0	67.6	49.9	60.8	60.5	47.3	51.5
i)licensed items	53.9	52.8	53.6	56.8	58.3	56.5	65.5	55.7	63.1	61.9	58.4	60.0
ii)Free List items	25.2	34.0	25.6	20.7	34.3	25.0	87.0	49.6	67.0	69.4	39.9	48.8
iii)Bonus items	-	-	-	42.3	40.1	41.9	10.4	17.6	11.7	31.2	25.3	26.3
<u>Capital Goods</u>	39.7	40.1	40.0	39.7	40.1	40.0	44.1	44.2	44.0	50.5	41.2	43.4
i)Licensed Items	66.2	62.1	63.0	62.3	65.5	64.8	91.3	84.9	86.4	70.3	58.8	62.1
ii)Free List items	30.3	27.4	28.5	30.3	27.4	28.5	37.4	33.7	35.0	32.1	41.4	39.4
iii)Bonus items	-	-	-	44.6	55.3	52.3	17.6	18.9	18.6	8.7	7.7	7.9
<u>Total</u>	41.0	43.0	42.5	41.0	43.0	42.5	51.2	40.8	44.01	45.4	35.7	38.6

Source: Table II to VI

Note:- (1) Calculations are made on the assumption that the price of bonus voucher of Rs. 100 = worth of foreign exchange = .150

(2) For Pal's study (1964-65) in consumption goods group radio transistor are not included in any one of the sub groups.

TABLE II

Rates of mark up on Imported Consumption Goods and Consumer Durables in Karachi and Chittagong
based on Pal's Commodity List.

Name of the Commodity	Mark up in Pal's study Dec '64 - Feb '65		Import Policy (July-December 1964)	Mark up in present study Nov '66 - Feb '67		Import policy (July '66-June '67)	Value of Imports during Oct '64 - Oct '64 in	Value of Imports during Oct '64 - Jun '65 in
	Karachi	Chittagong		Karachi	Chittagong		West Pakistan (in '000 rupees)	East Pakistan in '000 rupees)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Wheat Flour	18	21	Licensed	22	14	Licensed	21075	90
Almonds	49	62	"	34	39	"	1378	184
Pistachio nut	12	28	"	26	17	"	1378	184
Sago	35	23	"	25	15	Bonus	309	14
Coffee	26	26	"	11	13	"	259	28
Tea	37	43	"	-	-	Licensed	177	145
Pepper	71	62	"	33	26	Bonus	886	320
Clove	117	133	"	3	11	"	1716	649
Saffran	75	78	"	-	-	"	1716	649
Beer	59	55	"	536	917	Licensed	317	70
Whisky	72	57	"	130	228	"	1099	222
Citronella oil	58	47	"	100	20	"	1070	447
Leather Polish	42	38	"	-	-	"	1633	24
Cups & Saucers of China	33	29	"	43	43	Bonus	509	314
Art Articles of Porcelain	72	59	"	30	35	"	509	314
Safety Razors & Blades	87	81	"	24	32	"	1812	686
Pens	47	36	"	30	21	"	644	390
Radios	72	58	"	200	227	"	2593	1961
Transistors	98	96	"	145	160	"	2593	1961

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Airconditioner	a) G.S. 12000 BTU	each	4300	4500.00	75	21	1082.16)				
	b) " 12000 "	"	5300	5200.00	"	"	1234.46)	1507	256	Bonus	U.S.
	c) " 16500 "	"	5150	5000.00	"	"	1237.60)				
Motor Car	a) Volks Wagon	"	16790	16790.00	25	21	5405.00)				Germany
	b) Toyota Corona	"	17500	17500.00	"	"	5734.38)	17365	3536	Bonus	Japan
	c) Mercedes 200	"	50425		100	21	10950.00)				Germany
Motor Jeeps	Willys	"	24400	24400.00	25	0	8428.75	17365	3536	"	U.S.
Motor Cycles	Suzuki 80 cc.	"	3000	2600.00	"	0	845.00	17865	225	"	Japan
Motor Scooter	Vespa 150 Super	"	4000	4000.00	40	0	1276.00)	17865	225	"	Italy
	" 180 "	"	4600		"	"	1447.00)				
	Sportsman										
Film	Plus-X135, 36 exp	per roll	13.00	13.00	75	21	3.00)			"	
	a) 160 ASA 23 DIN										
	Tri-X1 35										
	b) 400 ASA 27 DIN	"	13.00	13.50	"	"	3.25)	1487	518	"	
	c) 35 mm Ectractrome	"		6.00	"	"	1.14)				
Watches	a) Camy popular	each	120.00	115.00	50	"	22.66)			"	Switzerland
	b) " Sputnik	"	125.00	120.00	"	"	26.91)	1326	246	"	"
	c) Citizen Superkin	"	190.00	200.00	"	"	42.49)			"	Japan
	d) Omega 600	"	680.00	695.00	100	"	138.04)			"	Switzerland
Vacuum Flask	Thermor Brand-2 pint	"	18.00	17.00	50	16	4.86	3866	183	"	U.K.
Safety Razors and Blades	Gillet Super Silver	per 60	44.00	46.00	30	16	10.63	3866	183	"	"
Sago	Flour	cwt	87.50	81.00	30	16	22.00			"	Singapore
Coffee	a) Nescafe 2 ozzar	doz		80.00	75	21	17.40)			"	W. Germany
	b) Nescafe 2 oz tin	"	72.00	75.00	"	"	18.00)			"	Bahama
	c) Maxwell House 2 ozzar	"	75.00	75.00	"	"	16.40)			"	"
Pepper	Black	md.	11.50	11.00	12,50	16	3.1			"	Singapore

(8)	(9)	(10)	(11)	(12)					
Beer	Carbberg ½ pint	Bottle	7.50	12.00	0.25	21	0.63	Licensed	Denmark
					per bot				
Whisky	a) Jonny walker	Bottle of 80.00)						"	U.K.
	b) Black & White	26 oz 85.00)	100	300	21	5.23		"	
	c) Vat 69	"/dz 720.00)						"	
Pens	a) Wing Sung	dz	70.00	66.00	50	16	13.89	Bonus	China
	Navy Brand								
	Fleet type								
	b) Gol cap & Baner	each	-	7.65	"	"	1.92	"	Japan
	c) Parker 51	"	130.00	125.00			33.32	"	
Radio	Phillps B4X47A	Each	825.00	900.00	-	-	260.00	Personal Import	Holland
Transistor	a) " L4X25T	"		650.00	-	-	240.00	"	
	b) Sony TR840	"	400.00	450.00	-	-	167.00	"	
	c) " " 1000	"	600.00	600.00	-	-	217.10	"	
Meat & Meat Preparation	a) Luncheon meat								
		7 oz tin	6.25	6.50	20	0	1.62	Bonus	Denmark
	b) Corned beef	"	5.60	5.80	20	0	1.43	"	"
Tobacco for Pipe	a) Sweet Chestnut	2 oz tin	12.25	13.00	234	0	2.14	"	
	b) Three nuns	"	12.50	13.50	234	0	2.30	"	
Glass Tumblers	Med. Quality	dz	15.00	13.50	100	16		"	China
Handkerchief	Flying Fish	"	24.00	22.00	150	21	3.93	"	China
Bicycles	Raleigh	Each	575.00	600.00	40	16	174.00	"	
Camera	a) Yashica Lynx	"	925.00	900.00	75	21	200.40	"	Japan
	500-35 mm Camera	"						"	
	b) Kodak Retineth	"			"	"	109.48	"	
	c) Rolli flex 2.8F"		490.00	500.00	"	"	928.20		
	1:2, 8/80 mm	"							

Name of Commodity	Specification	Unit	whole sale Price		Duty	Sales Tax	C & F Price	Value of Imports during July-Dec. '66		Tyre of License	Source of Supply
			Karachi	Chittagong				West Pak.	East Pak.		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Cottonseed oil	Sup. Qty	md.	129.00	160.00	20 ^{a/}	16	71.51	5	0	License	U.S.
Coconut oil		md.	165.00	160.00	10 ^{b/}	16	62.74	8130	7410	"	Ceylon
Motor Spirit Gasoline		I.G.	3.80	3.71	Rs. 2/- per gallon	0	.38	4021	3711	"	Italy
Bitumen	80/80	Ton	600.00	575.00	30	16	225.00	650	672	"	
Animal Tallow		md.	90.00	94.00	10	16	34.52	8945	5761	License + Bonus	Australia
Soyabin oil		md.	130.00	150.00	20 ^{a/}	16	59.21	16108	16915	License	U. S.
Paper White Printing	8½"x13½"x53/4" lbs	Ton	2285.00	2116.00	30	16	700.00	3189	1151	License/Bonus	
Alizarin	Red	lb.	20.00	20.00	25	16	8.00	2067	57	Free List	U.K.
Auramine	OS	lb.	7.50	8.00	0	16	2.89	2067	57	Free List	U.K.
Wattle extract		Ton	1575.00	1405.00	5	16	880.40	7956	904	Free List	E. Africa
Ultramarine Blue	Belgium Peacock NO.1	Cwt.	190.00	170.00	35	16	66.89	2671	257	Free List	Belgium
Lithopen	Red Seal	Cwt.	95.00	80.00	35	16	39.17	2671	257	Free List	U. K.
Natural Rubber		Lb.	2.25	2.25	15	16	1.00	6484	868	Free List	Indonesia
Cotton Yarn	a) 60/3 counts	lb.	20.00	-	35	16	5.44)			Free List	Japan
	b) 80/2 "	lb.	-	110.00	35	16	57.47)	947	2461	Bonus in	
	c) 100/2 "	lb.	-	140.00	35	16	71.84)			W. Pakistan	
X-Ray Films	a) 8" x 10" Agfa	Pak. of 25	-	35.00	12.50	21	13.87)	1487	518	Free List	Belgium
	b) 12" x 10" "		53.50	50.00	12.50	21	21.39)				

a/ For PL. 4.80 Imports b/ From Ceylon.

(1)	(2)	3	4	5	6	7	8	9	10	11	12
Burma Teak	a) 6" - 9" 6" to 12" Cft.		45.00	40.00	40	16	10.30)	14772	46	Bonus	Burma
	b) Square 10"-7" to 10" "		50.00	43.00	40	16	11.52)			"	
Plastic Sheets	a) 6'x4'x1/8") 1) coloured Sq.ft.		10.00	12.00	35	16	2.67	9463	5137	License & Bonus U.K.	
	b) 4'x3'x1/8") ii) Clean & Open										
Art Paper	a) Immitation Art Paper Ton Wood free M/F, H/S 20"x30"x48 lbs		4650.00	4800.00	30	16	1394.00)	3189	1151	Bonus	
	b) Real Art Paper M/F 20"x30"x48 GSA		375.50	350.00	30	16	100.00)				
Art Silk Yarn	a) 100-D Germany	1b.	16.12	13.00	200	21	1.99)				Germany
	b) 75 "	1b.	18.50	19.00	200	21	3.16)	18460	267	"	"
	c) 100-D USSR	1b.	13.37	13.00	200	21	2.10)				USSR
Nylon Yarn	a) 20-D English	1b.	26.62	27.00	125	21	4.73)			"	U. K.
	b) 20-1D Germany	1b.	27.00	27.50	125	21	4.73)			"	Germany
	c) 15-1D Italy	1b.	30.00	29.50	125	21	6.00)	15594	967	"	Italy
	d) 110-D Japan	1b.	18.50	18.00	125	21	3.10)				Japan
Aluminium Foil		1b.	4.75	5.00	35	16	2.19	2138	1410	"	Germany
Oil Light Diesel		I.G.	1.36	1.32	per gall.	0	0.41	3869	3362	License	Kuwait
Oil High Speed Diesel		I.G.	2.29	2.21	Rs. 1.08 per gall.	0	0.44	3869	3362	"	Italy
Oil Batching	Jute Batching oil	I.G.	-	1.22	10	0	0.78	-	3733	"	Iran
Grease Lubricating	Multipurpose H Grade	1b	1.56	1.56	35	16	0.65	10942	3733	"	
Paraffin Wax		Ton	1456.00	1585.00	35	16	582.44	470	262	"	China
Asphalt		Cwt.	35.00	38.00	27	16	12.26	650	672	"	Singapore

1	2	3	4	5	6	7	8	9	10	11	12
Coal	Steam	Ton	-	115.00.	0	16	45.64	-	13470	Free List	China
Acetic Acid		lb.	1.30	1.50	25	16	0.59	1302	301	"	Germany
Citric Acid		lb.	3.00	3.50	25	16	1.19	1302	301	"	U.K.
Sulphur	Rolls	Ton	1500.00	1250.00	20	16	523.04	1605	1013	"	Germany
Caustic Soda	Solid-UK	Cwt	68.00	-	10*	16	18.72)			"	U. K.
	Solid-U-S.A.	"	-	50.00	35	16	18.38)	1714	1615	"	U. S.
	Flakes	"	-	60.00	35	16	27.92)			"	Poland
Soda Ash	Light	Cwt.	60.00	40.00	30	16	15.28	4363	1376	"	Germany
Calcium Carbide		"	115.00	120.00	35	16	42.88	331	124	"	U. K.
Potassium Chlorate		"	152.00	135.00	35	16	63.36	331	124	"	China
Firebricks		1000 bricks	2700.00	2500.00	30	0	1470.70	966	470	"	U. K.
Pig Iron	Foundry Grade		700.00	750.00	10	6	515.51	20235	6582	"	USSR
Copper Ingot	99.9% Pure	lb.	5.00	14.25	15	6.	2.97	4425	36	"	U. K.
Aluminium Ingot	99.5% Pure	md.	195.00	166.67	15	6	98.51	5150	577	"	U. S.
Zinc Ingot	Electrotype Ingot 99.9% Pure.	Ton	2242.00	3150.00	15	6	1457.33	6399	2315	"	Australia
Tin Ingot		Sr.	24.00	29.00	15	6	15.33	8003	1860	"	Malaysia
Lead Ingot		Ton	2700.00	2900.00	15	6	1404.60	981	340	"	Ceylon
Sodium Bicarbonate	B.P.	Cwt.	93.00	105.00	30	16	19.39	4363	1376	Bonus	U. K.
Cement		Bag.	-	12.50	Rs.15/- per ton	16	4.37	-	3032	"	Japan

1	2	3	4	5	6	7	8	9	10	11	12
Gum Arabic		md.	170.00	210.00	40	16	83.02			Free List	Sudan
Linseed Oil	Other than raw	"	190.00	200.00	40	16	56.00			"	U. K.
Nylon Twine	21 D/3.26	lb.	21.50	20.00	30	21	10.29			"	Japan
Chalk	Powder	Cwt.	42.50	22.50	40	16	9.76			Bonus & Free List	U.K.
Asbestos	Fibre	lb.	.75	1.25	10	16	0.26				

3. CAPITAL GOODS

Name of Commodities	Specification	Unit	Wholesale Price Karachi	Price Ctg.	Duty	Sales Tax	C&F Price	Value of Imports during Jul-Dec '66		Type of licensing	Source of Supply
								W.Pak.	E.Pak.		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Engine Diesel	Type S-320 horiz- a) Rate output 9-18 h.p. b) 8 h.p. Vertical Type " 2200 rpm	Each	5356.00	5062.00	25	16	1770.02)	3165	1903	License	Poland
			4000.00	3569.90	25	16	1231.00)			"	Sweeden
Tractor Agriculture	a) International Harvester MB 450 55 h.p. b) Ford 2000 series Diesel 42.75 h.p. with hydraulic power lift. c) Dentz-D55 fitted with 56 b.h.p. Diesel Engine	"	16030.00	17190.00	0	16	10111.76)			"	U.S.
		"	15650.00	13480.00	0	16	8120.48)	12587	1672	"	U.S.
		"	23200.00	23191.60	0	16	13970.85)			"	Germany
Machine Flour Mill	SK Jold - 20" Size	"	1700.00	1800.00	25	16	629.37	14344	19783	"	Denmark
Machine Grinding	Japan	"	13500.00	14000.00	25	16	4545.45	6973	4312	"	Japan
Centrifugal Pump	Lowe - 8" x 8"	"	2888.00	2800.00	20	16	880.50	9128	4331	"	Germany
Ball Bearing	SKF - No. 6208	"	12.00	12.00	12.50	16	4.43)	3505	1086	"	Sweeden
	SKF - RIS 16-2"	"	46.00	-	12.50	16	18.40)			"	"
Insulating Copper Wire Hard Drawn bare	c/wlb		460.00	458.00	20	21	259.20	18484	4646	"	U.K.
Generators	a) GM - 6 Cylinders 160 - 250 b.h.p. 1800 - 2100 r pm b) Caterpillar - 6 Cylinder 150-450 b.h.p. 1500-1800 r pm c) Swan i) 2KW ii) 3KW d) Wind power with Engine 5 KW	Each	80000.00	80000.00	12.50	21	44950.00)			"	U.S.
		"	90000.00	90000.00	12.50	21	50361.80)			"	
		"	1800.00	1750.00	12.50	21	769.25)	14697	3320	"	
		"	2300.00	2250.00	12.50	21	980.00)			"	
		"	12000.00	12500.00	12.50	21	5000.00)			"	

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Electric Motors	a) New man 5 h.p. 1400 r pm A/c	Each	925.00	988.00	25	21	290.00)	14697	3320	Licensed	U.K.
	b) GEC Polechange.4pore 1400 r pm - 20 h.p.	"	2350.00	2500.00	25	21	735.00)			"	Italy
Transformers	Stepup & Stepdown Capacity approv Wt.-General Use									"	U.S.
	a) 100 - 5 lbs - Fan	Each	45.00	51.50	25	16	14.28)			"	"
	b) 500 - 12 lbs - Refrigerator	"	125.00	137.00	25	16	38.08)	14697	3320	"	"
	c) 2500 - 40 lbs - 1 h.p. airconditioner	"	430.00	445.50	25	16	123.76)			"	"
	d) 5000 - 70 lbs - 2 1/2 h.p. airconditioner	"	750.00	800.00	25	16	228.50)			"	"
Marine Diesel Engine	a) 110 h.p.complete	"	30000.00	32308.00	25	16	15384.61)			"	U.S.
	b) G.M. 165 b.h.p.	"	60357.00	65000.00	25	16	30952.38)	3165	1903	"	"
	c) Leyland 150 b.h.p.	"	42857.00	45000.00	25	16	21428.57)			"	U.K.
Electric Welding Apparatus	Dohm 360 Amp	Each	3000.00	2900.00	25	21	1212.50	516	2715	Licensed/ different capacity Bonus	U.K.
Condensor	a) Daly 40-70 mfd	"	26.00	40.00	25	21	9.00)	516	2715	"	U.K.
	b) " 168-182 mfd	"	41.00	65.00	25	21	14.00)			"	U.K.
Batteries	Exide Heavy duty 24 volt	"	385.00	400.00	50	16	96.00	1689	1851	Bonus	U.K.
Chassis	a) Truck-Bedford J6LZ5	"	44790.00	44790.00	7.50	16	14741.25)			"	"
	b) Bus-Dodge without cab	"	49230.00	49230.00	7.50	16	16203.00)	34161	2663	"	"
	c) Motor Rickshaw Italy	"	6594.00	6600.00	40	0	2166.50)			"	Italy
M.S. Billets	Rerolling Quality	Ton	1000.00	900.00	15	6	604.78	39983	16691	Free List	U.S.
Fork Lift Truck	Mercury-G.A. 50	Each	109960.00	109960.00	40	16	33320.00)	16444	6855	"	"

* For Imports from U.K. only.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
M.S. Joists	a) 7" x 4") b) 8" x 4")	Ton	1250.00	1525.00	25	25	521.04	21355	3452	Free List	U.S.
M.S. Flats	Above 4" x 3/4"	Ton	1750.00	1800.00	20	25	785.40	7437	536	"	"
M.S. Angles		Ton	1650.00	1700.00	25	25	650.00	1121		"	"
Black uncoated sheet	a) 16 B.W.G. Assorted Size	-	1100.00		20	6	647.48)			"	"
	b) 31/32 " " Ton	-	2300.00		20	6	1258.99)	8649	2734	"	"
	c) 8' x 3' x 18 G "		1500.00	1450.00	20	6	641.28)			"	"
	d) 8' x 3' x 24 G "		2000.00	1900.00	20	6	972.47)			"	"
Galvanised Plain Sheets	a) 3' x 6' x 30G"		2400.00	2600.00	20	6	1375.64)			"	"
	b) " x 31G "	-	2825.00		20	6	1798.00)			"	"
	c) 8' x 4' x 16 G "	-	2400.00		20	6	997.22)	8649	2734	"	"
	d) " x 18 G "	-	2200.00		20	6	1026.73)			"	"
	e) 6' x 3' x 24 G "		2700.00	2300.00	20	6	1104.32)			"	"
	f) 8' x 5' x 26 G "		2700.00	-	20	6	1280.44)			"	"
Galvanised Corrogated sheets	a) Standard width & length 26 G	Ton	2850.00	2300.00	20	6	1280.44)			"	Japan
	b) 24 G	"	2850.00	-	20	6	1170.96)	8649	2734	"	U.S.
	d) 30 G	"	2400.00	-	20	6	1370.88)			"	"
Mild Steel Plates	a) 4' x 8' x 3/16" "		1700.00	1475.00	20	6	718.76			"	"
	b) " x 1/8" "		1550.00	1610.00	20	6	748.16			"	"
	c) " x 1" "		2100.00	2100.00	20	6	681.36			"	"
	d) " x 1/4" "		1800.00	1600.00	20	6	704.48			"	"

1	2	3	4	5	6	7	8	9	10	11	12
Galvanised Iron Wire	a) 8 G	Cwt.	90.00	95.00	25	30	44.00	4350	1090	Free List	U. S.
	b) 16 G.	Ton	1900.00	-	25	30	774.88				
	c) 30 G	Ton	2700.00	2600.00	25	30	1322.64				
	d) 24 G	Cwt	-	84.00	25	30	42.22				
	e) 20 G	Cwt	-	95.00	25	30	44.80				
	f) 18 G	"	-	116.00	25	30	54.82				
Galvanised Iron Pipe	a) 3"	r.ft.	7.50	7.75	30	6	3.57	3210	1364	"	"
	b) 4"	"	11.00	12.00	30	6	5.94				
	c) 6"	"	-	21.50	30	6	13.66				
Stainless Steel Pipe	a) 6"	"	-	18.00	30	6	6.68	6211	95	"	Italy
	3"	"	8.00	6.00	30	6	2.04				
Copper Sheet	a) 1/2" dia	lb.	-	7.81	25	6	4.06	4394	245	"	U. K.
	b) 16, 18, 20, 24 G	lb.	7.00	8.00	25	6	4.18				
Brass Sheet	a) 3/8" dia	lb.	5.40	8.25	25	6	3.23	4394	245	"	"
	b) 3' x 6' x 1/16" dia	lb.	5.50	8.00	25	6	3.25				
	c) 14" x 4' x 30 G	"	7.50	8.50	25	6	3.26				
	d) 4' x 4' x 1/8"	"	5.25	-	25	6	3.23				
	e) " x 18 SWG	"	5.50	-	25	6	3.30				
Aluminium Sheet	a) 16 - 18 G	"	3.50	4.50	25	6	1.94	2138	1410	"	"

Capital Goods Cont'd.

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(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Plates & Sheets of Tin Printed											
	a) 30" x 32" - 30g	Ton	-	1456.00	25	6	785.40)			Free List US & Con	inen
	b) 30" x 32" - 31g	"	-	1430.00	25	6	")			"	"
	Plain						)				
	c) 30" x 32" - 30g	Ton	-	1360.00	25	6	666.40)			"	"
	d) " - 31g	"	-	1360.00	25	6	")			"	"
	18 $\frac{3}{4}$ " x 28" x 30 G						)			"	
	a) Prime Coke-1.25 lbs "		1750.00	-	25	6	1037.68)	9	27	"	"
	coating										
	Electrolytic i) 0.75 lb "		1700.00	-	25	6	1051.96)			"	"
	ii) 0.50 " "		1650.00	-	25	6	982.46)			"	"
	iii) 0.25 " "		1625.00	-	25	6	966.28)			"	"
Lead sheet	4' x 8' x 1/8 dia lb		1.75	2.40	25	6	1.00)			"	U.K.
Electric Meter	Simpson M. Milliammeter Each		860.00	875.00	25	21	262.00			Bonus	U.S.
	AC/DC Volt Ohm										
Switch Gear	Midland Electric Co.										
	100 amp	"	350.00	350.00	25	21	106.50			Licensed	U.K.

Table II (Cont'd)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(8)
Electric Lamps	33	39	Licensed	16	16	Bonus	800	241
Motor Cars	87	61	"	8	8	"	23063	5552
Motor Rickshaws	96	59	Licensed	-	-	Bonus	4422	1542
Meat & Meat Preparation	35	10	Bonus	40	45	"	23	100
Sugar	6	5	"	0-	-	"	16052	28
Tobacco for Pipes	16	16	"	15	23	"	4037	2
Toilet powders	21	18	"	-	-	"	287	31
Toilet soaps	6	5	"	-	-	"	240	18
Glass tumblers	36	32	"	36	23	"	304	169
Handkerchief	22	18	"	50	38	"	14	0
Watches	6	6	"	31	30	"	2006	476
Domestic Refrigerator	6	5	"	9	14	"	3613	859
Airconditioners	5	5	"	8	7	"	3613	859
Bicycles	8	5	"	3	7	"	1511	2070
Cameras	7	7	"	16	15	"	85	16
Whole Milk Dry	20	15	Free List	27	25	Licensed	4010	2433
Books	24	24	"	18	18	Free List	2262	865

Sources:- Col. (2), (3), (4) & (9): [2]
 Col. (7): [13]

Table III

Rates of Mark up on Imported Intermediate Goods in Karachi & Chittagong based on Pl's Commodity List

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Name of the Commodity	Mark up in Pal's study Dec '64-Feb '65		Import Policy (July-Dec '64)	Mark up in present study November '66-Feb '67		Import Policy (Jul '66-June '67)	Value of imports during Oct '64-Jan '65 in West Pakistan (in '000 rupees)	Value of Imports during Oct. '64-Jun '65 East Pakistan (in 000 rupees)
	Karachi	Chittagong		Karachi	Chittagong			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Natural Rubber	37	32	Free List	55	55	Free List	6079	857
Gum Arabic	10	26	"	13	40	"	1705	830
Linseed oil	25	26	"	87	97	"	485	246
Lithobone	26	22	"	40	18	"	186	129
Wattle Extract	18	21	"	37	23	"	853	315
Auramine	25	31	"	111	125	Free list in East & Bonus in W. Pakistan	853	315
Cotton Yarn	27	36	"	13	11	Free List	30	16
Nylon Twine	22	32	"	19	11	"	221	477
X-Ray Films and Plates	17	15	"	70	64	"	290	160
Duplicating Stencils	20	29	"	118	101	"	142	70
Bidi Leaf	158	106	Licensed	-	-	-	1330	570
Bitumen	34	39	"	61	54	Licensed	46	262
Animal Tallow	65	43	"	90	98	"	4014	1472
Soyabin Oil	68	38	"	42	63	"	0	29360
Cottonseed oil	26	22	"	19	47	"	6118	2747
Coconut Oil	113	156	"	96	90	"	2700	6451
Glycerine	74	41	"	67	25	Free List	147	174
Cork Material	47	39	"	30	30	Licensed	256	173
Silk Yarn	55	69	"	15	15	Bonus	418	538
Glass Bottles	43	37	"	5	5	"	1206	547

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
China Clay	38	56	Free List	42	48	Free List	700	573
Chalk	34	51	"	142	29	"	977	526
Coal	18	12	"	-	123	"	4659	15161
Costic Soda	13	11	"	28	46	Free List in East & Bonus in West	319	258
Soda Ash	52	43	"	136	67	Free List	2318	1872
Sodium Bicarbonate	38	44	"	58	68	Bonus	319	258
Calcium Carbide	11	9	"	54	61	Free List	319	258
Acetic Acid	58	54	"	40	61	"	2300	551
Cement	33	41	"	-	9	Bonus	6965	9200
Pig Iron	7	5	"	10	8	Free List	3708	2446
Copper Ingot	58	49	"	26	13	"	3002	75
Lead Ingot	78	53	"	47	58	"	283	147
Aluminium Ingot	34	33	"	56	33	"	2687	1253
Zinc Ingot	44	32	"	18	68	"	3221	647
Tin Ingot	9	28	Licensed	20	45	"	1773	426
Asphalt	39	57	"	76	90	Licensed	46	262
Asbestos	52	40	"	114	89	Free List	895	63
Crude Diesel Oil	47	21	"	-	-	-	2293	3510
Paraffin Wax	19	32	"	44	57	Free List	789	1684
Mineral tin	32	39	"			"	190	818
Machine leather setting	56	47	"	60	55	Licensed	183	192
Fire bricks	36	32	"	30	21	"	585	1807

Source: Col. (2), (3), (4), (8) & (9) : 1 2 1

Col. (7). 1 13 1

Rates of Mark up on Imported Capital Goods in Karachi & Chittagong based on Pal's Commodity List

Name of the Commodity	Mark up in Pal's Study		Import Policy	Mark up in present Study		Import Policy	Value of Imports	Value of Imports
	Dec '64 - Feb '67			November '66 - Feb '67			during Oct '64-	during Oct '64-
	Karachi	Chittagong		(July '64: Dec '64)	Karachi		Chittagong	(July 1966 - June 1967)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Galvanized Plane Sheets	22	22	Free List	51	49	Free List	2920	2943
Galvanised corrugated sheets	24	25	"	54	31	"	8136	2393
Black uncoated sheets	31	38	"	56	39	"	2920	2943
M. S. Plates	7	5	"	81	68	"	2920	2943
M. S. Flats	39	35	"	35	38	"	5117	2412
M. S. Joints	61	57	"	38	68	"	6603	3069
M. S. Angles	7	9	"	14	18	"	6603	3069
G. I. Wire	43	58	"	11	13	"	9862	8129
G. I. Pipe	18	11	"	30	31	"	10090	4876
Stainless Steel Pipe	19	13	"	119	67	"	1957	739
Copper Sheets	11	13	"	16	33	"	3322	786
Brass sheet	27	32	"	15	67	"	685	20
Alumunium sheet	16	10	"	29	61	"	4487	2233
Lead sheet	59	78	"	22	74	"	387	51
Ball bearings	41	49	Licensed	75	92	Licensed	2205	1457
Electric Meters	44	54	"	25	20	Bonus	7963	2397
Generators	57	42	"	44	44	Licensed	7963	2397
Transformers	98	109	"	107	126	"	7963	2397
Switch Gear	48	42	"	97	97	"	2277	200
Batteries	47	31	"	15	19	Bonus	972	1793
Chassis	81	47	"	7	7	"	3795	830
Centrifugal pumps	45	37	"	116	109	Licensed	4652	1590

TABLE V

RATES OF MARK UP ON IMPORTED CONSUMPTION GOODS AND CONSUMER
DURABLES IN KARACHI AND CHITTAGONG (NOV. '66 - FEB. '67)
BASED ON MODIFIED LIST OF COMMODITIES.

Name of Commodity	Mark up		Value of Import*	
			(Nov. '66 - Feb. '67)	
	K a r a c h i	Chittagong	('000 rupees)	
			East Pakistan	West Pakistan
(1)	(2)	(3)	(4)	(5)
<u>LICENCED ITEMS</u>				
Wheat Unmilled	23	30	82340	172739
Wheat Flour	14	22	0	344
Skimmed Milk dry	35	42	648	898
Skimmed Milk Condensed	27	25	1837	482
Almond	34	39	3	523
Dates Dried	26	44	3	508
Current & Raisins	35	40	3	508
Citronella oil	100	20	221	1307
Kerosene Oil	37	28	21096	83
Fishtachio nut	26	17	3	523
Streptomycin & Dihydrostrepto	35	35	173	2356
Antibiotic ointment	30	30	173	2356
<u>BONUS ITEMS</u>				
Copra	22	27	3	523
Cloves	3	11	58	2877
Cumin seed	20	25	58	2877
Chinaware Tea cups & Saucers	43	43	57	1211
Art Articles of Porcelain	30	35	57	1211
Domestic Refrigerator	9	15	256	1507
Airconditioner	8	7	256	1507
Motor Cars	8	8	3536	17365
Motor Jeeps	2	2	3536	17365
Motor Cycles	25	8	225	17865
Motor Scooters	4	3	225	17865
Film	9	17	518	1487
Watches	31	30	246	1326
Vacuum Flasks	20	16	183	3866
Safety Razor & Blades	24	32	183	3866
<u>FREE LIST</u>				
Books	18	18	624	2137

Source: (4) & (5) [14]

TABLE VI

RATES OF MARK UP ON IMPORTED INTERMEDIATE GOODS IN KARACHI
AND CHITTAGONG (NOVEMBER 1966 - FEBRUARY 1967) BASED ON
MODIFIED LIST OF COMMODITIES

Name of Commodities (1)	Mark up		Value of (July, 1966 Imports Dec. 1966 Rs. ('000)	
	K a r a c h i (2)	Chittagong (3)	East Pakistan (4)	West Pakistan (5)
<u>LICENSED ITEMS</u>				
Cottonseed oil	19	47	0	5
Coconut oil	96	90	7410	8130
Motor Spirit Gasoline	21	19	3711	4021
Bitumen	61	54	672	650
Animal Tallow	90	98	5761	8945
Soyabin Oil	42	63	16915	16108
Paper white Printing	100	80	1151	3189
<u>FREE LIST ITEMS</u>				
Alizarin Dye	50	50	57	2067
Auramine	111	125	57	2067
Wattle Extract	37	23	904	7956
Ultramarine Blue	64	47	257	2671
Lithopen	40	18	257	2671
Natural Rubber	55	55	868	6484
Cotton Yarn	-	11	2461	-
X-Ray Films & Plates	70	64	518	1487
<u>BONUS ITEMS</u>				
Burma Teak	34	16	46	14772
Plastic Sheet	16	39	5137	9463
Art Paper	12	10	1151	3189
Cotton Yarn	13	-	-	947
Yarn Artsilk	22	8	267	18460
Nylon Yarn	19	19	967	15594
Alumonium Foil	38	45	1410	2138

TABLE VI (Continued)

(1)	(2)	(3)	(4)	(5)
<u>LICENSED ITEMS</u>				
Oil Light Diesel	51	47	3362	3869
Oil High Speed Diesel	48	43	3362	3869
Grease Lubricating	36	36	7466	10942
Paraffin Wax	44	57	262	470
Asphalt	76	90	672	650
<u>FREE LIST ITEMS</u>				
China Clay	42	48	185	2211
Coal	-	123	13470	-
Acetic Acid	40	61	301	1302
Citra Acid	59	69	301	1302
Sulphur	88	57	1013	1605
Caustic Soda	-	46	1615	-
Soda Ash	136	67	1376	4363
Calcium Carbide	54	61	124	331
Potassium Chlorate	38	23	124	331
Machine Leather Belting	60	65	83	140
Firebricks	31	21	470	966
Pig Iron	10	18	6582	20235
Copper Ingot	26	13	36	4425
Zinc Ingot	18	68	2315	6399
Tin	20	45	1860	8003
Lead	47	58	340	981
<u>BONUS ITEMS</u>				
Caustic Soda	28	-	-	1714
Sodium Bicarbonate	58	68	1376	4363
ent	-	9	3032	-

TABLE VII

RATE OF MARK UP ON IMPORTED-CAPITAL GOODS IN KARACHI AND
CHITTAGONG (NOV. 1966 - FEB. 1967) BASED ON MODIFIED
LIST OF COMMODITIES

Name of Commodities (1)	Mark up (2) (3)		Value of (July, 1966-Dec. 1966) Imports Rs. ('000)	
	K a r a c h i	Chittagong	East Pakistan	West Pakistan
(1)	(2)	(3)	(4)	(5)

LICENSED ITEMS

Engine Diesel	97	80	1903	3165
Tractor Agriculture	29	37	1672	12587
Machine Flour Mill	69	79	19783	14344
Machine Grinding	86	92	4312	6973
Bulldozer	28	28	3679	11681
Centrifugat Pump	116	109	4331	9128
Ball Bearing	75	92	1086	3505
Electric Insulated Lables	29	26	2323	9242
Insulating Copper Wire	20	20	2323	9242
Generators	44	44	3320	14697
Electric Motors	91	104	3320	14697
Transformers	107	126	3320	14697
Marine Diesel Engine	23	31	1903	3165
Electric Welding Apparates	48	43	344	1810
Condenser	77	168	344	1810
Instrument Surveying	25	25	780	2965
Balances	30	30	780	2965
Conerete Mixture	29	33	3679	11681

BONUS ITEMS

Batteries	14	19	1851	1689
Chassis	7	7	2663	34161
Electric Welding Apparates	40	40	344	1810
For Lift Trunk	5	5	6855	16444

TABLE VII (Continued)

(1)	(2)	(3)	(4)	(5)
<u>FREE LIST ITEMS</u>				
Mild Steel Billets	27	14	16691	39983
Mild Foists	38	68	3452	21355
Mild Flats	35	38	536	7437
Mild Angles	14	18	1121	650
Black Unwashed sheet	56	39	2734	8649
Galvanised Plain Sheets	51	49	2734	8649
G. C. Sheets	54	31	2734	8649
M. S. Plates	81	68	2734	8649
G. I. Wire	11	13	1090	4350
G. I. Pipe	30	31	1364	3210
Tin Less Steel Pipe	119	67	95	6211
Copper sheet	16	34	245	4394
Brass Sheet	15	67	245	4394
Alumonium sheet	29	61	1410	2138
Plats and Sheets Tin	16	32	32	3

Source:- Column 4 & 5 : 14 17.

1. CONSUMPTION GOODS

Name of the Commodities	Specification	Unit	Whole sale price		Duty	Sales tax	C&F price per ton	Value of imports during July-Dec. 66 in 000 rupees			Source of Supply
			Karachi	Ctg.				W.Pak.	E.Pak.	Type of license	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Wheat	Unmilled	md.	17.25		0	0	324.53	172739	82340	License	U.S.
Wheat	Flour	md.	18.75		0	0	400.00	344	0	"	U.S.
Skimmed Milk	Dry U.S.A.	lb.	2.10		0	0	1.42	898	648	"	U.S.
Skimmed Milk Condensed	Coast Brand	4 dz.	65.00		0	0	46.80	482	1837	"	Holland
Almonds	Kaghzi No.1	md.	230.00		32	16	132.08	523	-	"	Afghanistan
Dates	Dried	md.	35.00	40.00	35	16	21.86	508	3	"	Iraq
Almond	Without shell	md.		600.00	32	16	254.00	-	3	"	Afghanistan
Raisins	No.1	md.	110.00	115.00	35	16	46.00	508	3	"	Iran
Citronella oil	Ceylon	lb	20.00	12.00	10 ^{a/}	16	7.35	1307	221	License & Bonus	Ceylon
Pishtachio Nut	without shell	md.	650.00	600.00	35	16	297.40	523	3	License & Bonus	Afghanistan
Kerosene oil	Superior	I.G.	1.60	1.44	0.50	0	.49	83	21096	License	Italy
					per gallon						
Copra	Ceylon	md.	135.00	140.00	10	16	38.68	523	3	Bonus	Ceylon
Cloves		Sr.	10.50	11.00	12.50	16	13.51	2877	58	"	Tanzania
Cuminseed	Black med. Quality	md.	145.00	150.00	12.50	0	46.35	2877	58	"	Ceylon
Chinaware tea cups & Saucers		dz.	22.00	22.00	100.00	21	5.41	1211	57	"	China
Art Articles of Porcelain Flower Vas & Ashtray		1 pc. each	19.00	19.70	100.00	21	4.10	1211	57	"	Japan
Refrigerator	Domestic										
	a) G.E. 8.7 C.ft	each	-	3450.00	30.00	21	856.80)				
	b) " 7 C.ft		2250	-	"	"	721.98)	1507	256	"	U.S.
	c) " 9 C.ft		2475	-	"	"	880.60)				
	d) 7.8 C.ft (double door)		-	3400.00	"	"	952.00)				

Note:- 1) In certain cases units of C&F price is different from that of wholesale price
2) ^{a/} For imports from Ceylon or British colonies.