The Allocative Biases of Pakistan's Commercial Policy: 1953 to 1963

by

SYED NAWAB HAIDER NAQVI*

The purpose of this paper is to examine the allocative biases of Pakistan's commercial policy, with a view to determining its influence on the composition of domestic investment in the private sector.

Although because of the complexity of factors influencing investment decisions it is well-nigh impossible to isolate the role of commercial policy in shaping the composition of domestic investment, yet a study of its allocative biases *per se* can shed considerable light on the nature of this role. This is so because the import component of various investment projects is high in Pakistan and private-sector imports are, in turn, regulated by commercial policy.

The discussion in this paper is divided into four sections. The first section is devoted to certain preliminary matters regarding commercial policy in Pakistan. The second and third sections focus on the allocative biases of import-licensing and export-promotion policies; while the fourth section concludes the previous discussion.

It may be noted at the very outset that commercial policy regulates only private-sector imports which are about 75 per cent of the total imports. Imports on government account are regulated by separate arrangements.

I. BASIC CHARACTERISTICS OF PAKISTAN'S COMMERCIAL POLICY

Commercial policy in Pakistan is an amalgam of foreign exchange control policy, import-licensing policy and tariff and export-promotion policies. Exchange-control policy, administered by the Foreign Exchange Committee, regulates the total inflow and outflow of foreign exchange, and allocates the available amount between the public and private sectors. Import-licensing policy, framed and implemented by the Chief Controller of Imports and Exports, concerns itself

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with allocating foreign exchange earmarked for the private sector among various uses and users. Both these policies, symptomatic of an overvalued rate of exchange, are essentially "rationing" devices influencing mainly the import sector.

The overvalued rate of exchange has, however, created serious problems for the export sector. Export-promotion policy, consisting mainly of the Export Bonus Scheme, is intended to grapple with these problems. Tariff policy, enforced by the Ministry of Finance, consists of import duties and export taxes. Though mainly used as a revenue-raising device, it is supposed to reinforce import-licensing and exchange-control policies.

Each of these policies, taken by itself, may influence the composition of domestic investment in the private sector. Exchange-control policy influences the composition of domestic investment in the private sector by having exporters surrender, at the unfavourable official rate, foreign exchange that they could sell at a much higher rate in the market. This is a hidden levy on the exporters. Likewise, importers "receive" a premium in the form of being able to purchase foreign exchange at a price below its scarcity value.

Import-licensing policy, with a few exceptions, perpetuates these allocative biases of exchange-control policy favouring importers, in so far as import licences are granted at the low official rate of exchange. In addition, it has far-reaching effects on the composition of imports and domestic investment. By varying the percentage of the foreign exchange allotted to various classes of importers, the Chief Controller of Imports and Exports influences the level and composition of consumption, production and investment in the economy.

Export-promotion policy, in so far as it is effective, tends to reverse the allocative biases of exchange-control and import-licensing policies: it subsidizes exporters at the expense of importers.

Tariff policy, though primarily used as an instrument of fiscal policy, has also been used to influence the composition of imports, by imposing higher duties on "luxury" (the so-called nonessential items) goods and lower duties on capital goods and "essential" goods.

How can, then, we determine the aggregate impact of all these "sub-policies" on the allocation of domestic investment in the private sector? At first sight it may appear that the effect of commercial policy is nothing but a summation of the effects of each of its "components" on resource allocation. But, on closer inspection, this turns out not to be the case. It can easily be shown that *if* there exists an excess demand for imports at the existing ratio of foreign to domestic prices including import duties, and *if* imported goods are concurrently subject to

both quota-restrictions and tariffs, then import tariffs do not have a separate effect on resource allocation since the domestic price of imported goods are set by quota restrictions alone. Import tariffs, then, have a purely revenue-raising function. This, by and large, has been the situation in Pakistan, at least in the fifties.

It follows from this argument that, when considering the allocative biases of commercial policy in Pakistan, we can neglect tariff policy. This leaves us with exchange-control policy, import-licensing policy and export-promotion policy. However, the main impact of exchange-control policy on resource allocation in Pakistan is due to the overall "budget constraint" which it imposes on the level of imports rather than due to its allocative function, which is confined to allocating foreign exchange between the public and the private sectors of the economy.

In sum, the main allocative instruments of commercial policy in Pakistan are import-licensing and export-promotion policies. Exchange-control policy sets the overall limits within which these two policies operate, while tariff policy largely has a revenue-raising function.

In the light of these considerations the discussion in the succeeding sections is confined to an examination of the allocative biases of import-licensing and export-promotion policies.

II. THE ALLOCATIVE BIASES OF IMPORT-LICENSING POLICY: 1953-1963

The purpose of this section is to present a quantitative analysis of changes in the composition of import licences issued by the Chief Controller of Imports and Exports (CCIE) in order to determine the allocative biases of import-licensing policy during the 1953-63 period.

It has been assumed throughout this section that the import licences issued by the CCIE are fully used by importers. The basic reason for making this assumption is that because of the "scarcity" of foreign exchange there exists an excess demand for almost every class of goods at the current official rate of exchange. A recent study has shown that domestic prices of imported goods are, on average, about 60 per cent higher than their landed cost—that is, the c.i.f. cost *plus* import duty and sales tax [7]. Another evidence of this excess demand is the existence of a large premium on import-bonus vouchers[1]. As a result, importers have a strong incentive to fully utilize the import licences allotted to them.

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[1] *See* also next section on Export Bonus Scheme. On average, the market premium on import-bonus vouchers has been 150 per cent.

It may be argued, that since import trade is largely concentrated in the hands of holders of "categories" and "quotas"[2] who have a monopoly in import trade, there is incentive for them to restrict imports to maximize their profits (or their importer's "rent," to be more precise). However, this incentive does not exist when, as is the case in Pakistan, importers are uncertain about the size of their import quotas from one shipping period to the next. Moreover, imported goods can always be stocked. Thus, even though importers may withhold the supplies of imported goods from the domestic market to raise domestic prices in order to make still greater profits, there is no reason why they should not import. However, it would still have been interesting to compare the value of licences issued by the CCIE with those actually used by importers; unfortunately, these data are simply not available[3].

Before we proceed to a quantitative analysis of the allocative biases of import-licensing policy, it will be useful to describe the techniques that we have used and note their rationale and limitations.

A Note on Techniques

The Classification Scheme: Our main problem was to classify a mass of unorganized data on import licensing[4] into an economically meaningful form according to standard usage. In order to do that, first, broad commodity groups like "food, drugs and medicine", "transport equipment", *etc.*,— had to be established. For this we adopted the Standard International Trade Classification (SITC) Scheme. However, some additional categories had to be created to include items that did not fit into the standard pattern. Second, we had to identify, cull, and aggregate scores of small but related items from the "received" data. Third, each of these broad commodity groups then had to be classified into four main commodity groups: consumer goods, raw material for consumer goods, raw material for capital goods, and capital goods,— referred to hereinafter as C_o, R_{co}, R_{ca} and C_a respectively. As a result of this rather tiresome exercise, the import-licensing data are available for the first time in a standard, economically meaningful form. This classification gives us an insight into the "workings" of import-licensing policy that could not be had by looking at the original data.

The Rationale of Our Classification Scheme: To bring out the characteristics of our classification scheme, it may be useful to contrast it with that used by the

[2] *See* [4]. Up to 1959 these category-holders constituted a "closed" group since no new categories could be created. Although with the introduction of OGL new importers are now allowed to import, import trade is still largely in the hands of "established" importers.

[3] Some cases of the non-utilization of import licences have been reported in the past, but these are exceptions.

[4] These unclassified data have now been published (mimeographed) by the Pakistan Institute of Development Economics. *See* [6].

CCIE's office. Broadly, they classify the import-licensing data into "industrial", "commercial", and OCAC (Oil Companies Advisory Committee) licences. With the introduction of "automatic", "OGL", and "request-basis" licences in 1960, the import-licensing data under "commercial" and "industrial" groups are further broken down by these sub-groups. Moreover, the import licences issued against import-bonus vouchers are separately given since 1959, when Export Bonus Scheme was introduced[5].

This classification although useful for understanding the structure of import-licensing system is based on the division of importers into industrial and commercial importers—that is, it is a sort of an "institutional" classification; whereas what we need for our purposes is a "functional" classification.

The greatest danger in using the "institutional" classification for our present purposes—that is, to study the allocative biases of import-licensing policy—is of misleading associations. For instance, the general impression that the term "commercial" licensing may give is that it stands for consumer-good (C_o) *imports*, while the term "industrial" licensing may be taken as synonymous with the imports of R_{co}, R_{ca} and C_a, but actually this is not so. These terms stand for imports made by commercial and industrial importers, and the same commodity may be, and is, imported by both classes of importers.

To illustrate this point the import-licensing data have been classified on both patterns for eleven shipping periods from July-December 1954 to July-December 1959 in Table I below[6].

TABLE I

PERCENTAGE DISTRIBUTION OF C_o, R_{co}, R_{ca} AND C_a INTO COMMERCIAL AND INDUSTRIAL LICENSING : 1954-1959

Import category	July/December 1954			July/December 1959			Net change in 1959 over 1954		
	Commercial	Industrial	Total	Commercial	Industrial	Total	Commercial	Industrial	Total
Consumer goods (C_o)	88	12	100	60	40	100	—28	+28	
Raw material for consumer goods (R_{co})	36	64	100	44	56	100	+8	—8	
Raw material for capital goods (R_{ca})	95	5	100	95	5	100	—	—	
Capital goods (C_a)	23	77	100	28	72	100	+5	—5	
Total	62	38	100	53	47	100	—9	+9	

Source: Computed from the data provided by the CCIE[6].

[5] For a description of each of these type of licence, *see* [4].

[6] For details, *see* [5].

It can be seen from Table I that, although the percentage share of industrial licensees in total licensing increased by 9 per cent, and that of commercial licensees fell by an equal amount, over the 1954-1959 period, this was *not* associated with an increased share of industrial licensees in R_{co} and R_{ca} and C_a. As a matter of fact (contrary to what one may guess), whereas the relative share of industrial licensees in the C_o group increased by 28 per cent, it decreased in the rest of the three categories.

This highlights the danger inherent in using a purely "institutional" classification for studying the allocative biases of import-licensing policy. Only a "functional" classification like ours, which disregards the agencies responsible for importing particular types of goods but concentrates on the composition of import licences and changes in them over time, can shed light on our problem.

The Limitations of the Study

It may be noted here that our classification scheme covers a period of only seven years, or fourteen shipping periods. The reason for this is that the breakdown by commodities of import licences issued to both industrial and commercial licensees is available only up to 1959. For the period 1960-63 the industrial-licensing data are available broken down by industries, whereas the commercial-licensing data are on the basis of commodities imported.

For this reason a different classification scheme had to be adopted for licences issued to various industries after 1959[7]. Here we have followed, with minor additions, the industrial-classification scheme suggested by Chenery. Industries have been classified, first, into broad industrial groups like "food manufacturing", "paper manufacturing", and so forth, and then each of these industries has been classified into three classes: "consumer-goods", "intermediate-goods", and "investment-and-related goods" industries. Here, again, we were faced with the problem of regrouping over two hundred small industries into thirty-six standard industrial groups, and then into the three groups mentioned above. The period covered is 1957-63. The data on commercial licensing for the 1960-63 period have been classified according to the SIT Classification that was used for the period 1953-59. Although these two classification schemes do throw additional light on the "functional" characteristics of industrial and commercial licensing for the 1957-63 period, we still cannot get the "unified" picture of the "working of import-licensing policy that we have for the 1953-1959 period. For this reason we have divided our analysis into *i*) 1953-1959 for total licensing, including commercial, industrial, and OCAC licences, *ii*) 1957-1963 for industrial licensing[8], and *iii*) 1960-1963 for commercial licensing.

[7] *See* [1; 2; 3].
[8] The data on industrial licensing by industry breakdown are available since 1957.

Finally, it will be noted that we have not related changes in the licences issued for various items to such economic magnitudes as actual imports and domestic production. The reason for this is that it is nearly impossible to establish any such meaningful relationship. For instance, in the case of actual imports, there is almost the insoluble problem of finding a suitable "lag" between import licences issued and actual imports. Furthermore, actual import data are not available, in published form, with the same breakdown as is used in the import-licensing data. Also, our import-licensing data are limited in coverage to private-sector imports (The imports made on government account fall outside the purview of import-licensing policy). Furthermore, imports of machinery under various aid agreements, which come to about 15 per cent of total imports, are also not covered by our data. This means that our figures regarding import licences issued for capital-goods imports are, in effect, underestimates. This must be borne in mind in interpreting our results.

It may also be noted that we have not given a further breakdown of the licences issued by the CCIE into "cash" licences and "aid" licences, because we are concerned with the composition of total licences, irrespective of the agencies to whom they are issued, and irrespective of whoever (Pakistan or the United States or any other country) provides the foreign exchange to "back" these licences. For this reason we have presented an "aggregated" picture of import licences issued in this period.

The Allocative Biases of Import-Licensing Policy: 1953-1959

The broad results of our study are given in Table II. Two main characteristics of the data presented here are *i*) the sharp fluctuations in the relative shares of our four main commodity groups (*see* Figure 1), and *ii*) a gradual decline in the relative share of consumer goods in total licensing. There are occasional sharp upswings in the share of this group, as in the shipping periods July/December 1955 and January/June 1956, caused by heavy imports of food and cotton textile, but the general trend is downward. A still greater decline occurred in the licences given for importing R_{co}. On the other hand, the relative shares of R_{ca} and C_a have increased over the period.

A clearer idea about the direction of change in the relative shares of our four main commodity groups can be formed by comparing the beginning and the end points of this period[9].

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[9] This procedure of comparing the beginning and the end points to measure changes over a period of time, though statistically crude, is quite legitimate for our purposes.

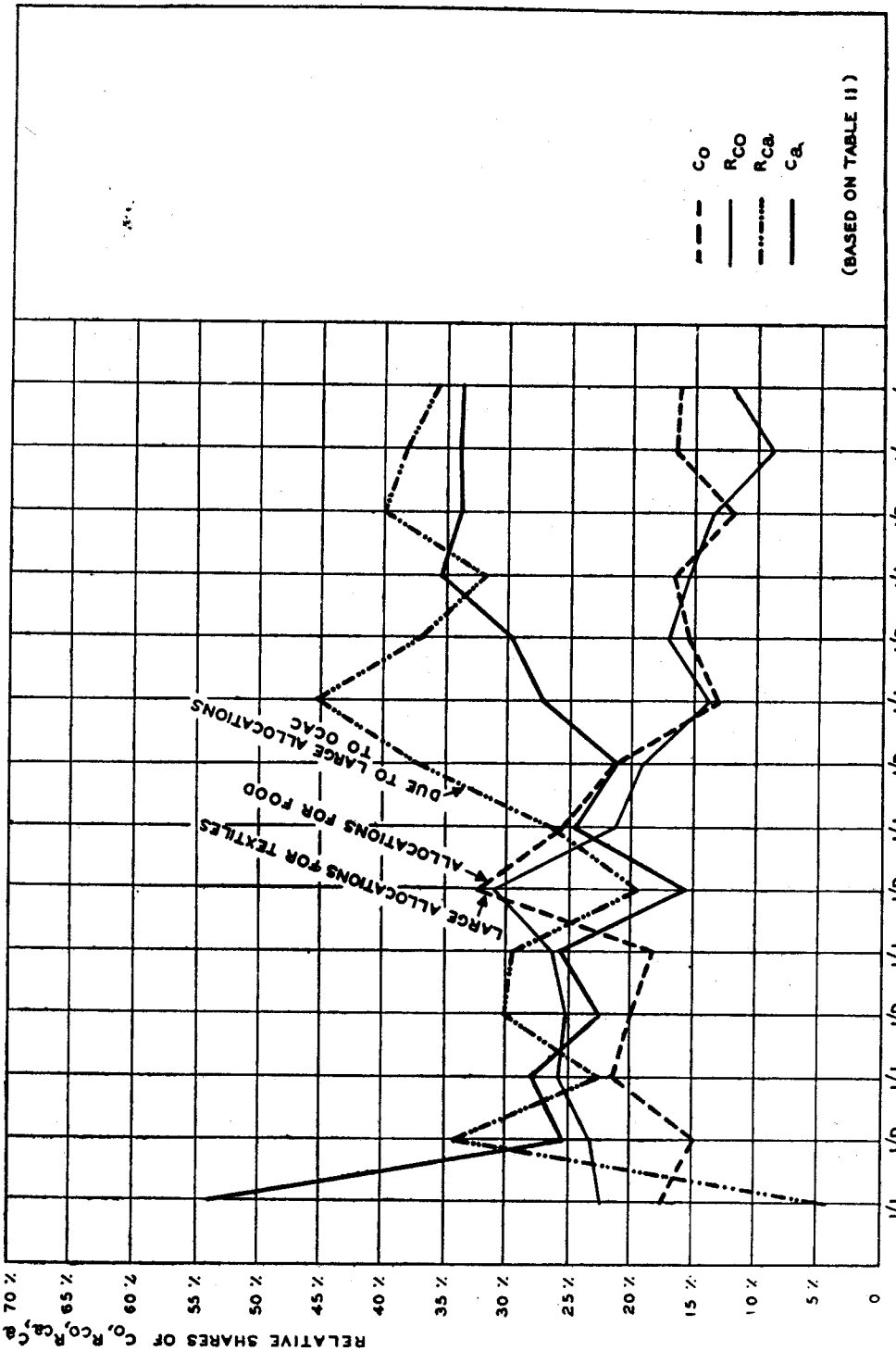

FIGURE 1. Fluctuations in the Relative Shares of C_o, R^{co}, R_{ca} and C_a Group of Commodities in Total Licensing (Industrial *Plus* Commercial *Plus* OCAC) 1953-1959

TABLE II

CLASSIFICATION OF IMPORT LICENCES ISSUED (INDUSTRIAL AND COMMERCIAL AND OCAC) DURING 1953-1959

(in percentage terms)

Import category	J/J 1953	J/D 1953	J/J 1954	J/D 1954	J/J 1955	J/D 1955 (heavy textile)	J/J 1956 (heavy food-grain)
Consumer goods (C_o)	17.8	14.9	22.0	21.0	18.2	32.1	25.9
Raw material for consumer goods (R_{co})	22.6	23.9	26.0	25.7	26.3	31.6	21.23
Raw material for capital goods (R_{ca})	5.4	34.4	24.0	30.4	29.4	19.8	26.5
Capital goods (C_a)	45.2	26.8	28.0	22.9	26.1	16.6	26.4

Import category	J/D 1956	J/J 1957	J/D 1957	J/J 1958	J/D 1958	J/J 1959 (due to sugar)	J/D 1959 (due to sugar)
Consumer goods (C_o)	21.3	13.0	15.0	16.6	12.3	16.6	16.4
Raw material for consumer goods (R_{co})	19.8	14.1	17.2	15.7	13.5	8.9	12.3
Raw material for capital goods (R_{ca})	37.2	45.5	37.4	32.2	40.1	38.3	36.6
Capital goods (C_a)	(21.7)	27.4	30.2	35.5	34.1	34.2	34.7

Note: J/J stands for January/June shipping period
J/D stands for July/December shipping period

Source: Computed from data provided by the CCIE [6].

TABLE III(a)

RELATIVE SHARES OF BROAD COMMODITY GROUPS (C_o, R_{co}, R_{ca} and C_a) IN THE IMPORT LICENCES (COMMERCIAL, INDUSTRIAL AND OCAC) ISSUED BY THE CCIE: 1953/54—1958/59

(as percentages of total licensing)

Import category	1953/54	1958/59	Net percentage difference
Consumer goods (C_o)	18.5	15.0	— 3.5
Raw material for consumer goods (R_{co})	24.9	13.0	—11.9
Raw material for capital goods (R_{ca})	28.9	37.2	+ 8.3
Capital goods (C_a)	27.7	34.8	+ 7.1

Source: Based on Table III(b) in the Appendix.

It can be seen that whereas C_o and R_{co} together claimed 43.4 per cent of total licences in 1953/54, their relative share in total licensing had declined to only 28.0 per cent by 1958/59. By contrast, the relative shares of C_a and R_{ca} increased over the same period. Also, the sharpest decline occurred in R_{co}, whilst the greatest increase occurred in R_{ca}.

It will be interesting to see the "sources" of these changes. For this we look at the behaviour of the individual "components" of each of the four commodity groups. This has been done in Table III(b) in the Appendix. In the C_o group, there is an all-round decrease in the share of each of the component items, except for small increases in "food", "drugs and medicine" and the "miscellaneous" items. The heaviest decline occurred in "stationery and related items", followed by "textiles and clothing" and "cigarettes."

Also the relative "weights" of different items changed over the period. In 1953/54, "drugs and medicine", "stationery and related items", "textiles and clothing", "food" and "cigarettes and tobacco" ranked highest in the C_o group, in that order. By 1958/59, this order had changed: though "drugs and medicine" still ranked the highest, the share of "stationery and related items" declined sharply. "Food" and "textiles" stood next to "drugs and medicines". It may also be noted that, whereas in 1953/54 the six items noted above accounted for 88 per cent of the total licences issued to the C_o group, in 1958/59 they accounted for a little over 78 per cent. It shows that, as compared with 1953/54, import licences were more "thinly" distributed among a number of smaller commodities.

In the R_{co} group, it can be seen that the sharp decrease in the licences issued to the "silk, cotton, yarn and thread" group (from 10.84 per cent of total licensing in 1953/54 to 1.95 per cent in 1958/59) was the main factor responsible for the large decline in the relative share of the R_{co} group in total licensing. The other "notables" in this downward trend in the R_{co} group were "chemicals and gas", "dyes, paints and varnishes" and the "miscellaneous" sub-groups.

The sharp increase in the relative share of the R_{ca} group in total licensing was wholly due to the large "gains" registered by the "brake fluid and oil" group. (This includes allocations to the OCAC for imports of motor spirit and petroleum). Other items registered a decline.

The increase in the relative share of the C_a group in total licensing has been due mainly to higher allocation of import licences to the import of "metal products" and "transport equipment".

The Allocative Biases of Industrial-Licensing Policy: 1957-1963

As pointed out in the sub-section on techniques above, our classification scheme could not be carried up to 1963 because from 1960 onward the data on import licences issued to industrial licensees are not given by the commodities imported but by industries. It could not be ascertained which industry imported what. Hence, a different scheme had to be adopted, which classified industries into three broad groups: consumer-goods industries, intermediate-goods industries, and industries producing investment and related goods. The results of our classification are given in Table IV.

We note, first, that there are considerable fluctuations in the licences issued to each of our industrial groups. Secondly, the relative share of consumer-goods industries in total industrial licensing gradually declined over time. In contrast, the relative share of investment-goods industries gradually increased over time until it outstripped that of consumer-goods industries in July/December 1963. Third, the share of intermediate-goods industries, after a continual decline from January/June 1958 to January/June 1962, increased continuously afterwards (*see* Figure 2).

This can be seen more clearly by comparing the beginning and the end points of this period.

It will be noted that, during the period under review, a radical shift had occurred in the relative positions of the three industry groups. By 1963 the investment-goods industries had taken the place of consumer-goods industries as the biggest holder of industrial licences. The share of intermediate-goods industries had also improved by 1963.

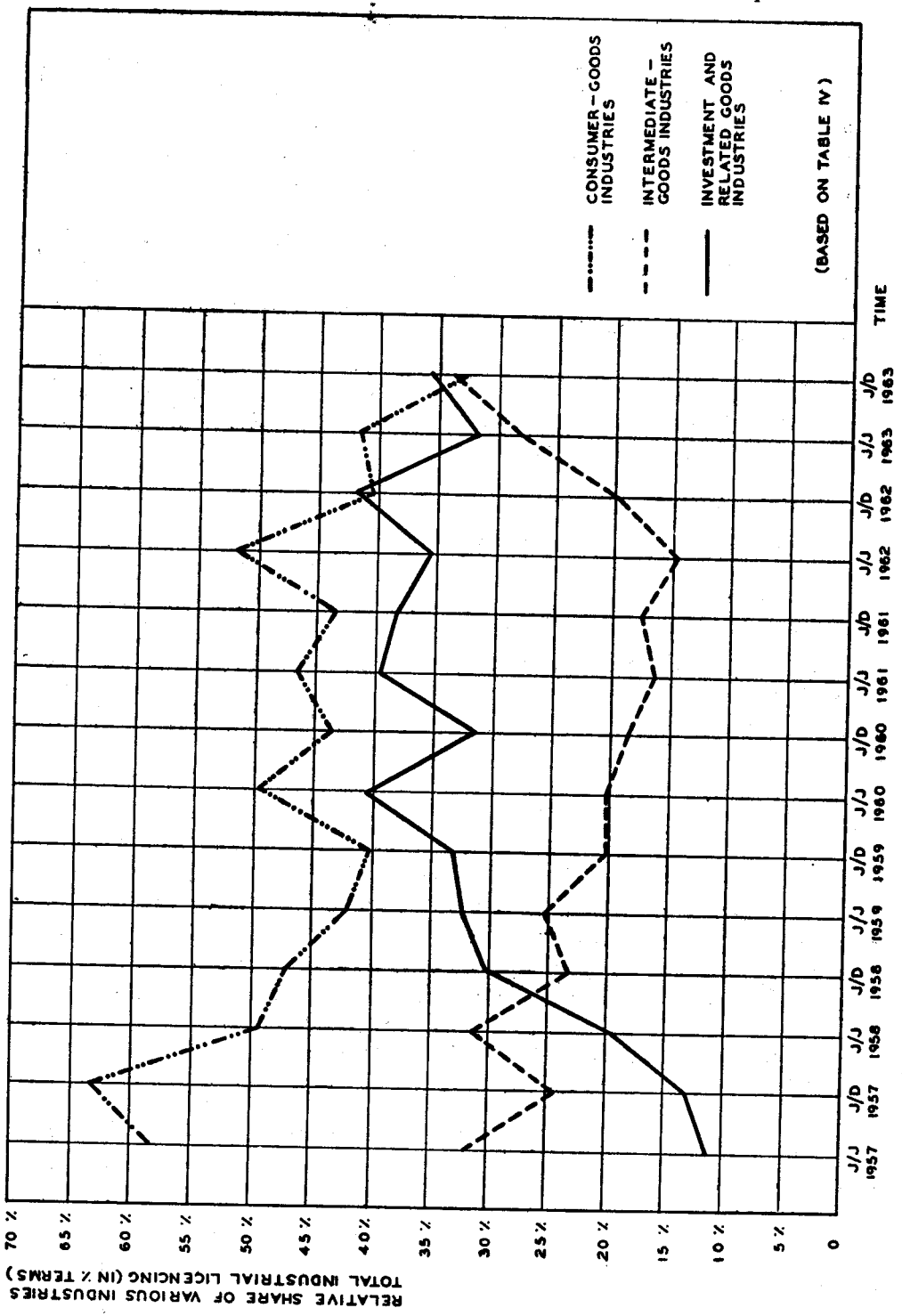

FIGURE 2. Fluctuations in the Relative Shares of Consumer-Goods, Intermediate-Goods and Investment-Goods Industries: 1957-1963

TABLE IV

RELATIVE SHARE OF CONSUMER-GOODS, INTERMEDIATE-GOODS AND INVESTMENT-GOODS INDUSTRIES IN INDUSTRIAL LICENSING

Import category	J/J 1957	J/D 1957	J/J 1958	J/D 1958	J/J 1959	J/D 1959	J/J 1960
Consumer goods	57.9	62.9	49.1	47.1	42.0	39.9	48.9
Intermediate goods	31.9	24.1	31.5	22.7	25.4	20.1	20.0
Investment and related goods	10.2	12.9	19.5	30.1	32.7	40.0	31.1

Import category	J/D 1960	J/J 1961	J/D 1961	J/J 1962	J/D 1962	J/J 1963	J/D 1963
Consumer goods	43.0	46.1	43.45	51.28	39.79	41.54	31.59
Intermediate goods	17.8	15.9	16.65	13.78	19.06	27.30	33.01
Investment and related goods	39.2	37.0	39.90	34.93	41.15	31.16	35.37

Source: Computed from the data provided by the CCI E [6].

Note: J/J refers to the January-June shipping period.
J/D refers to the July-December shipping period.

TABLE V

CHANGE IN THE RELATIVE SHARE OF CONSUMER-GOODS, INTERMEDIATE-GOODS, AND INVESTMENT AND RELATED-GOODS INDUSTRIES IN TOTAL INDUSTRIAL LICENSING DURING 1957-63

Import category	1957	1963	Change in 1963 over 1957
Consumer goods	60.4	36.6	—23.8
Intermediate goods	28.1	30.3	+ 2.2
Investment and related goods	11.5	33.1	+21.6

Source: Table IV

This downward trend in the relative share of consumer-goods industries is mainly attributable to a relative decline in importance of cotton-textile industry over time, as the early tempo of import-substitution in cotton textiles tapered off.

It is interesting to study the behaviour of the "components" of each of these industrial groups. This is done in Table VI. Here we have selected five top industries from each group (which together account for 80 per cent of total industrial licensing) for study.

Let us first look at the changes in the distribution pattern of industrial licences among these 15 industries. The relative share of consumer-goods industries in total industrial licensing has followed a downward trend over the period. The one significant exception has been the "soap, perfumes, cosmetics, *etc.*" industry group, whose share in total industrial licensing increased from 5.1 per cent in 1957 to 8.4 per cent in 1963. Another thing to note is the change in the relative positions of the individual industries in the consumer-goods group. In 1957, the textile industry's share was the highest in the consumer-goods group; but by 1963 it had slipped to a third position. On the other hand, the "soap, perfumes, *etc.*" group, which occupied fourth position in this group in 1957, claimed the highest share in 1959. The "edible-oil" industry, whose share was insignificant in 1957, ranked fourth in 1963.

In sharp contrast to the downward trend in the relative shares of the consumer-goods industries is the general increase in the share of every industry in the "investment-goods" group. The sharpest increase occurred in the "basic-metal" industries—from 1 per cent in 1957 to 7.7 per cent in 1963. However, the relative positions of various industries in this group remained pretty much the same: the "transport-equipment" and "electrical-equipment" industries,

TABLE VI

THE SHARE OF "TOP" 15 INDUSTRIES (CLAIMING 81 PER CENT) IN TOTAL INDUSTRIAL LICENSING

	1957 Percentage share in total licensing	1963 Percentage share in total licensing	Percentage change in absolute amount licensed in 1963 over 1957
A. Industries Producing Consumer Goods			
Textile and clothing	21.03	4.33	negative
Edible oil	10.12	8.24	negative
Tobacco manufacturing	7.31	2.37	negative
Soap, perfumes, cosmetics and other inner toilet requirements	5.05	8.39	365.74
Printing, publishing, *etc.*	3.57	negligible	—
Domestic hardware	negligible	2.80	477.01
Total	47.08	26.13	55.59
(Per cent change in *all* consumer-goods industries = 69.74)			
B. Industries Producing Intermediate Goods			
Weaving, spinning and thread spooling	10.80	6.76	57.50
Chemicals and pharmaceuticals	5.78	8.54	314.63
Rubber and rubber manufacturing	3.36	negligible	—
Leather manufacturing	2.69	2.08	169.80
Dying, dye-mixing and calendering	1.15	negligible	—
Paper and paper manufacturing	negligible	4.81	489.50
Paints and varnishes	negligible	1.89	382.75
Total	23.78	24.08	183.97
(Per cent change in *all* intermediate-goods industries = 205.26)			
C. Industries Producing Investment and Related Goods			
Transport equipment	5.04	9.50	428.63
Electrical equipment	2.17	8.23	965.67
Non-metallic equipment	1.38	3.51	610.47
Basic metals	1.01	7.71	2025.00
Metal products	0.55	2.23	1046.66
Total	10.15	31.16	762.23
(Per cent change in *all* investment-goods industries = 695.69)			
15 Industries as per cent of total licensing	**81.00**	**81.00**	**181.73**

Source: Computed from the data provided by the CCIE [6].

occupying first and second positions respectively in 1957, continued to stay there in 1963. The only change was a reversal in the relative positions of "non-metallic" (from third to fourth) and "basic-metal" industries (from fourth to third). The "metal-product" industry continued to retain the fifth position.

The relative share of intermediate-industries group remained practically unchanged. The most significant "events" in this group are: *i*) a considerable decline in the share of the "weaving, spinning, *etc.*," group from 10.8 per cent in 1957 to 6.8 per cent in 1963, *ii*) and an equally significant increase in the share of "chemicals and pharmaceuticals", and *iii*) the emergence of the "paper and paper-manufacturing" industry, whose share increased from a negligible amount (in percentage terms) in 1957 to 4.8 per cent of total industrial licensing in 1963, and of the "paints and varnishes" industry, whose share increased from a negligible amount to 1.9 per cent during the same period.

It may be interesting to see the changes in the relative positions of various industries with respect to their relative shares in total licensing on an overall basis. In other words, instead of ranking industries by their percentage shares within their respective groups we now rank them by their relative position in all the three groups taken together. This has been done by picking out five industries whose relative share in industrial licensing has been the highest. All industries whose relative position in overall ranking is less than fifth, are termed as "low".

TABLE VII

THE OVERALL RANKING OF INDUSTRIES BY THEIR RELATIVE SHARES IN TOTAL INDUSTRIAL LICENSING: 1957-1963

	1957	1963
Textile industry	1	low
Weaving and spinning	2	low
Tobacco manufacturing	3	low
Chemicals and pharmaceuticals	4	2
Soap, perfumes and other toilet requirements	5	4
Electrical equipment	low	3
Transport equipment	low	5
Basic metal	low	1

It can be seen that *i*) whereas in 1957 consumer-goods industries were on top, in 1963 the investment-goods and intermediate-goods industries occupied the top

position; *ii*) "chemicals and pharmaceuticals" rose from the fourth to the second position; and *iii*) within the investment goods industries group, the "basic metal" industries occupied the top position in 1963.

These trends are "confirmed" when we look at the fourth column of Table VI which gives the percentage *rates* of increase in the shares of various industries over the period. The basic-metal group recorded the highest rate of increase of 2025 per cent. Also the highest "growth" rates are concentrated in the investment-industries group, ranging between 428 per cent for "transport equipment" to 2025 per cent for "basic metal". Other significant increases occurred in the shares of "paper and paper manufacturing" (489.5 per cent), "domestic hardware" (477 per cent), "paints and varnishes" (382.8 per cent), "chemicals and pharmaceuticals" (314.6 per cent), and "leather manufacturing" (169.8 per cent).

Before we conclude this section it should, however, be emphasized that the picture emerging from this study is only partial, because many of these industries met their import requirements for capital goods and spare parts from their bonus-voucher earnings. This is particularly true of cotton-textile and jute-textile industries which have to meet a significant part of their import requirements in this fashion.

It should also be noted that changes in the relative shares of different industries in total industrial licensing are not always accurate indicators of the relative growth rates of these industries; for not all industries are equally dependent on imports. This is particularly true of cotton-textile and jute-textile industries, whose entire raw-material requirements are met from domestic sources. However, in the case of capital-goods industries such an inference about relative growth rates is less objectionable, because all of these industries are largely dependent on imports.

The Allocative Biases of Commercial Licensing Policy: 1959-1963

We next turn to commercial licensing. The results of our study are given in Tables VIII(a) and VIII(b).

It can be seen from Table VIII(a) that the relative shares of C_o and R_{co} in total commercial licensing increased by 3 per cent, but that of C_o remained almost constant. This reversal of trends occurred also in the case of R_{ca}. But in the case of C_a there was a still greater increase.

However, if we consider the entire 1955-1963 period, then there is the same tendency for the relative shares of R_{co} and C_o to decline and for those of R_{ca} and C_a to increase.

TABLE VIII(a)

PERCENTAGE CHANGES IN COMPOSITION OF IMPORT LICENCES ISSUED UNDER COMMERCIAL LICENSING: 1955-1963

Import category	1955 as per cent of total commercial licensing	1959 as per cent of total commercial licensing	1963 as per cent of total commercial licensing	Net change in 1959 over 1955	Net change in 1963 over 1959
Consumer goods (C_o)	31.9	15.3	15.5	—16.6	+ 0.2
Raw material for consumer goods (R_{co})	18.6	8.1	10.1	—10.5	+ 2.0
Raw material for capital goods (R_{ca})	35.2	57.7	40.3	+22.6	—17.4
Capital goods (C_a)	14.3	18.9	34.1	+ 4.6	+15.2

Source: Table VIII(b) in the Appendix.

The details of these changes in the four broad commodity groups are given in Table VIII(b) in the Appendix. A comparison of the last three columns shows that whereas changes during 1955-1959 and 1955-1963 are similar in signs, there is a divergence between the direction of change in the 1959-1963 period and in the 1955-1963 period. This "improvement" in the relative shares of C_o and R_{co} is probably due to the introduction of "OGL" licences in 1960, which were presumably biased in favour of C_o and R_{co}. The fall in the share of R_{ca} is wholly attributable to a reduction in the licences issued for the imports of "brake fluid, *etc*" group. The trends in C_a are the same for all the three periods.

Summary

Our study of the allocative biases of import-licensing policy reveals an unmistakable trend towards a greater emphasis on capital goods and raw material for capital goods as compared to consumer goods and raw material for consumer goods group. This is what one would expect. As industrialization has proceeded apace in Pakistan, the domestic demand for the imports of consumer goods and raw material for consumer goods has been increasingly met from domestic production. At the same time, the requirements of domestic industries for the imports of capital goods and raw material for capital goods have increased. Import-licensing policy has reflected these trends in domestic production.

The trends in "industrial licensing" during 1957 and 1963 also conform to this pattern. The licences issued to capital-goods and intermediate-goods industries have increased over time; while the relative share of consumer-goods industries has decreased. Although this part of the study gives only a partial picture [10] of changes in the import requirements of various groups of industries during 1957-1963, yet this is what one would expect to have happened. Whereas the domestic requirements of consumer-goods industries for spare parts, *etc.*, may be met by domestic capital-goods industries, the machinery and spare parts "needed" by these latter classes of industries have to be imported from abroad.

III. THE ALLOCATIVE BIASES OF EXPORT-PROMOTION POLICY: 1959-1963

In this section we propose to discuss, in the light of available data, the allocative biases of Export Bonus Scheme, which remains the most important instrument of export-promotion policy in Pakistan. The object of the scheme, it will be recalled, is to secure an exportable surplus greater than would otherwise be forthcoming by subsidizing exporters of manufactured goods on a selective basis at the expense of importers. This subsidy is given in the form of import-bonus vouchers, which exporters can sell at a premium in the market. Thus the subsidy, instead of being paid by the government, is provided by the importers

[10] It is partial because a considerable part of these requirements has been satisfied through imports under the Export Bonus Scheme and commercial licensing.

who buy import-bonus vouchers. For example, if an exporter earns foreign exchange worth rupees 100, he will receive not rupees 100 but 100 [1 + 0.2 (1.5)] = 130, if the rate of bonus is 20 per cent and the rate of premium on the bonus vouchers is 150 per cent. The importer on the other hand, has to pay rupees '(20+30) =50 for an import entitlement of rupees 20. Thus the importer pays a subsidy of rupees 30 to the exporter. Let us now investigate the ways in which the scheme *can* influence the composition of domestic investment.

First, Export Bonus Scheme tends to raise the domestic prices of exports. This will normally be the case unless the domestic supply of exports is perfectly elastic. This will induce greater investment in export industries, but will at the same time repel consumers from buying the high-priced export goods. Both factors will work to increase the export surplus.

Secondly, Export Bonus Scheme could influence investment flows by raising the domestic prices of imports. This is so, because the cost of imports *to the importer* is increased by the positive premium that he has to pay in order to obtain the entitlement to import. This, in turn, may lead to a lesser expenditure on imports by importer. However, this is unlikely to happen because, in view of the excess demand for imports, importers can make profits even after paying the higher price. A higher price of foreign exchange will, therefore, fail to deter importers from spending the increased amount of foreign exchange made available to them through Export Bonus Scheme.

It has also been argued that a positive premium *per se* tends to raise the domestic prices of imports. In other words, importers can successfully shift the burden of the higher cost of foreign exchange on to the consumer. Now, it is obvious that a positive premium by itself cannot *cause* the domestic prices of imports to rise, for a high rate of premium on import-bonus vouchers is merely a symptom of the excess demand for imports, which keeps their domestic price above the world prices. It is the high prices of imported goods which cause the high premium, *not* the other way round[11]. The level of premium merely reflects the scarcity price of foreign exchange. Import-licensing policy, by giving foreign exchange to importers at the official rate, lets the scarcity premium—the difference between the lower foreign supply price and the higher domestic price—accrue to, importers. The Export Bonus Scheme simply cuts into this importers "rent", which then accrues to exporters.

Thirdly, Export Bonus Scheme may influence the composition of investment by bringing about a change in the composition of imports. As we know, exporters

[11] It may be interesting to recall what Ricardo had to say on the causes of high rent in England. He wrote, ".....Corn is not high because a rent is paid, but a rent is paid because the corn is high", *see* [8, p. 40.]. Later on page 42 he calls high rent as "symptom" and not the "cause" of the high prices of corn.

who get import-bonus vouchers have the option of either using them for their own imports or selling them in the open market at a premium. There is thus an opportunity cost (equal to the level of premium) associated with the "own-use" of the import-bonus vouchers. It has been argued that the high level of premium on import-bonus vouchers has induced exporters to sell them in the market, rather than using them to meet their own import requirements. Now, the general presumption is that this will encourage greater imports of consumer goods, particularly of the "luxury" goods, since, their supply being the most stringently curtailed under "normal" licensing[12], these goods promise high profits. On the other hand, if the exporter himself uses these vouchers, he will import capital goods and raw material or spare parts "required" by him.

To examine this hypothesis we have classified the imports under Export Bonus Scheme according to our classification scheme, into C_o, R_{co}, R_{ca} and C_a. The changes in the composition of import licences issued are then compared with the changes in the average level of premium during 1959-1963.

TABLE IX(a)

THE LEVEL OF PREMIUM AND THE COMPOSITION OF IMPORT UNDER EXPORT BONUS SCHEME: 1959-1963

(in per cent)

The average level of premium / Composition of import licences issued for the import of	1959	1963	Net per cent change
	163	144	—19
Consumer goods	24.3	14.1	—10.2
Raw material for consumer goods	27.8	31.0	+ 3.2
Raw material for capital goods	8.1	9.1	+ 1.0
Capital goods	39.8	45.8	+ 6.0

Source: Table IX(b) in the Appendix.

It can be seen that there has occurred a fall in the licences issued for consumer-goods imports and a corresponding rise in the share of R_{co}, R_{ca} and C_a. This appears to "confirm" the view that the decline in level of premium induces the importers to import R_{co}, R_{ca} and C_a rather than C_o.

[12] All licences issued by the CCIE, except those issued against import-bonus vouchers, are called "normal" licences.

But the evidence given in Table IX(a) should not be taken at its face value. Any such association is purely accidental. Our view is that the level of premium exercises little or no influence on the composition of imports. For one thing, the level of premium has fluctuated so widely from month to month that it is hard to believe that it could have exercised any definite and predictable influence on the composition of imports.

Furthermore, the view that there is an opportunity cost associated with the own-use of import-bonus voucher ignores the important fact that an opportunity cost is associated with *not* using the bonus vouchers for "own-imports" also. This is the cost[13] for exporters of not getting enough import licences to meet their own "requirements", or having to buy them from the market at a higher price. Our view is that the composition of imports made against import-bonus vouchers is determined wholly or mainly by the relative excess demand for various classes of imports. This is, after all, the very rationale of the Export Bonus Scheme: to permit importers to import goods for which the excess demand is the greatest.

Table IX(a) should, therefore, be interpreted to mean that over the period 1959-1963, there was greater excess demand for R_{co}, R_{ca} and C_a than for C_o. The decrease in the relative share of C_o and an increase in that of R_{ca}, under Export Bonus Scheme, are easily explained. During the 1959-1963 period, the imports of consumer goods were greater than in the previous period under "commercial" licensing. This was because of the introduction of open-general licences (OGL) in 1960. On the other hand, the licences issued for R_{ca} declined sharply. The increase in R_{co} and C_a took place even though greater allocations were also being made under commercial licensing. Table X(a) compares licences issued under the Export Bonus Scheme and commercial licensing.

A detailed comparison is given in Table X(b) in the Appendix. The greater excess demand for R_{ca}, R_{co} and C_a is also indicated by the fact that most of domestic industries in the country had considerable excess capacity because of an insufficient supply of spare parts, *etc.*

Summary

We have considered in this section the various ways in which Export Bonus Scheme may influence resource allocation. It has been found that the scheme *by itself* does not have any independent effect on the composition of imports made against import-bonus vouchers. The sole effect of the scheme is to *permit* greater

13 This cost will be the higher the more restricted are the imports needed by the exporter under import licensing.

TABLE X(a)

CHANGES IN THE COMPOSITION OF LICENCES ISSUED UNDER EXPORT-BONUS SCHEME AND COMMERCIAL LICENSING : 1959-1963

Import category	1959		1963		Net change	
	As % of total licensing under E.B.S.	As % of to tal licensing under C. L.	As % of total licensing under E.B.S.	As % of total licensing under C.L.	E.B.S.	C.L.
Consumer goods	24.3	15.3	14.1	15.5	—10.2	+ 0.2
Raw material for consumer goods	27.8	8.1	31.0	10.1	+ 3.2	+2.1
Raw material for capital goods	8.1	57.7	9.1	40.3	+ 1.0	—17.4
Capital goods	39.8	18.9	45.8	34.1	+ 6.0	+15.2

E.B.S stands for Export-Bonus Scheme.
C.L stands for commercial licensing.

Source: Table X(b) in the Appendix for first and third column; Table VIII(a) for the second and fourth columns.

In so far as these trends in the composition of import licences reflect a deliberate attempt by the CCIE to influence the composition of domestic investment in the "desired" direction, such a policy seems to have been consistent with the overall development strategy.

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TABLE III(b)

RELATIVE SHARE OF MAJOR COMMODITY GROUPS IN TOTAL LICENSING (INDUSTRIAL PLUS COMMERCIAL PLUS OCAC) (1953/54—1958/59)

Commodity group	1953/54		1958/59		Net percentage change in 1958/59 over 1953/54
	Amount (*million rupees*)	per cent of total licensing	Amount (*million rupees*)	per cent of total licensing	
A. Consumer Goods (C_o)					
Food	11.24	1.81	18.74	2.40	+0.59
Textile and clothing	23.76	3.82	19.56	2.50	—1.32
Cigarettes and tobacco	7.82	1.26	1.71	negligible	—1.00
Toilet requirements	3.20	negligible	2.07	negligible	—
Beverages	1.47	negligible	2.21	negligible	—
Drugs and medicine	30.40	4.89	44.14	5.65	+0.76
Stationery and related items	26.32	4.24	7.50	0.96	—3.28
Glass and glassware	3.21	negligible	2.94	negligible	—
Furniture	0.32	negligible	negligible	negligible	—
Musical instruments	0.13	negligible	0.37	negligible	—
Domestic hardware	0.13	negligible	1.59	0.20	—
Clocks and watches	0.68	negligible	0.79	negligible	—
Rubber manufacturing	1.15	negligible	1.65	0.25	—
Miscellaneous	4.44	0.71	6.22	0.79	+0.08
Total C_o	114.26	18.49	102.47	15.00	—3.49

(*contd*)

TABLE III(b) (*Contd.*)

RELATIVE SHARE OF MAJOR COMMODITY GROUPS IN TOTAL LICENSING (INDUSTRIAL PLUS COMMERCIAL PLUS OCAC) (1953/54—1958/59)

Commodity group	1953/54		1958/59		Net percentage change in 1958/59 over 1953/54
	Amount (*million rupees*)	per cent of total licensing	Amount (*million rupees*)	per cent of total licensing	
B. Raw Material for Consumer Goods (R_{co})					
Oil and oilseeds and other seeds	7.50	1.21	11.74	1.50	+0.29
Silk, cotton yarn and thread	67.35	10.84	15.25	1.95	—8.89
Chemicals and gas	21.88	3.52	12.36	1.58	—1.94
Rubber material	3.93	0.63	3.72	0.60	—0.03
Film and photography	2.10	negligible	5.26	0.67	+
Optical and optical instruments	0.91	negligible	0.67	negligible	—
Tobacco unmanufactured	2.76	negligible	6.20	0.79	+
Paper and paperboard	6.78	1.09	7.86	1.00	—0.09
Dyes and paints and varnishes	22.62	3.64	14.54	1.86	—1.78
Miscellaneous	18.48	2.97	11.85	1.52	—1.45
Total R_{co}	154.26	24.86	85.78	13.00	—11.86

(*contd*)

TABLE III(b) (*Contd.*)

RELATIVE SHARE OF MAJOR COMMODITY GROUPS IN TOTAL LICENSING (INDUSTRIAL PLUS COMMERCIAL PLUS OCAC) (1953/54—1958/59)

Commodity group	1953/54		1958/59		Net percentage change in 1958/59 over 1953/54
	Amount (*million rupees*)	per cent of total licensing	Amount (*million rupees*)	per cent of total licensing	
C. Material chiefly for Capital Goods (R_{ca})					
Arms and ammunition	0.80	negligible	1.66	negligible	—
Building material	3.69	0.60	2.78	0.32	—0.28
Rubber manufacturing	9.41	1.51	11.82	1.51	—
Chemical material	3.88	0.65	2.67	0.34	—
Cane, wood and timber	7.34	1.18	5.63	0.72	—0.46
Brake fluid, grease, oil, *etc.* includes OCAC)	148.38	23.88	240.71	30.81	+6.73
Clay and glass material	4.46	0.72	4.74	0.61	—0.11
Miscellaneous	1.27	negligible	1.01	negligible	—0.26
Total R_{ca}	179.22	28.86	276.11	37.20	+8.30

(*contd*)

TABLE III(b) (*Contd.*)

RELATIVE SHARE OF MAJOR COMMODITY GROUPS IN TOTAL LICENSING (INDUSTRIAL PLUS COMMERCIAL PLUS OCAC) (1953/54—1858/59)

Commodity group	1953/54		1958/59		Net percentage change in 1958/59 over 1953/54
	Amount (*million rupees*)	per cent of total licensing	Amount (*million rupees*)	per cent of total licensing	
D. Capital Goods (C_a)					
Metal products	13.10	2.11	49.51	6.34	+4.23
Electrical equipment	18.97	3.05	17.69	2.26	—0.79
Transport equipment	28.39	4.57	59.85	7.66	+3.09
Non-metallic equipment	108.49	17.46	104.97	13.43	—4.03
Miscellaneous	2.59	negligible	9.02	1.15	+1.15
Total (C_a)	170.84	27.69	240.84	34.83	+7.12
E. Total Licensing	**621.42**		**781.30**		

Note: The shares below 20 per cent are termed "negligible".

Source: Computed from the data provided by the CCIE [6].

TABLE VIII(b)

COMPOSITION OF THE LICENCES ISSUED TO COMMERCIAL IMPORTERS: 1959-1963

Commodity group	1959		1963		Net percentage change in 1963 over 1959	Net percentage change in 1959 over 1955	Net percentage change in 1963 over 1955
	Amount (*million rupees*)	% of total commercial licensing	Amount (*million rupees*)	% of total commercial licensing			
Consumer Goods (C_o)							
Food	10.46	2.2	23.61	3.2	+1.0	+0.3	+1.3
Textile and clothing	2.55	0.5	3.96	0.5	—	—0.9	—
Cigarettes and tobacco	0.25	—	—	—	—	—	—
Toilet requirements	2.48	0.5	1.72	0.2	—0.3	—0.4	—0.7
Beverages	2.04	0.4	2.40	0.3	—0.1	—	—
Drugs and medicine	43.18	8.9	64.28	8.8	—0.1	—1.9	—2.0
Stationery and related items	7.62	1.6	12.05	1.6	—	—0.4	—0.6
Glass and glassware	2.02	0.4	1.72	0.2	—0.2	—	—0.2
Furniture	—	—	—	—	—	—	—
Musical instruments	0.30	—	0.36	—	—	—	—
Domestic hardware	0.16	—	0.74	—	—	—	—
Clocks and watches	0.91	—	—	—	—	—	—
Rubber manufacturing	0.25	—	0.35	—	—	—	—
Miscellaneous	2.06	0.4	2.44	—0.3	—0.1	—	—0.1
Total (C_o)	74.29	15.3	113.58	15.5	+0.2	—16.6	—16.4

(*contd.*)

TABLE VIII(b) (*Contd.*)

COMPOSITION OF THE LICENCES ISSUED TO COMMERCIAL IMPORTERS: 1959-1963

Commodity group	1959		1963		Net percentage change in 1963 over 1959	Net percentage change in 1959 over 1955	Net percentage change in 1963 over 1955
	Amount *million rupees*	% of total commercial licensing	Amount *million rupees*	% of total commercial licensing			
Raw Material for Consumer Goods (R_{co})							
Oil and oilseeds and other seeds	5.64	1.2	9.34	1.3	+0.1	+ 0.5	+ 0.6
Silk, cotton yarn and thread	2.15	0.4	1.42	0.2	—0.2	—10.3	—10.5
Chemicals and gas	9.74	2.0	28.09	3.8	+1.8	+0.6	+ 1.4
Rubber material	0.72	—	2.13	0.3	+0.3	—	+ 0.3
Film and photography	5.10	1.1	7.04	1.0	—0.1	+ 0.4	+ 0.3
Opticals and optical instruments	0.61	—	1.47	0.2	+0.2	—	—
Tobacco unmanufactured	0.70	—	0.60	—	—	—	—
Paper and paperboard	1.64	0.3	—	—	—0.3	— 1.4	—
Dyes and paints and varnishes	10.43	2.2	29.20	4.0	+1.8	+ 0.3	+ 2.3
Miscellaneous	2.29	0.5	1.76	0.2	—0.3	— 0.2	— 0.5
Total (R_{co})	39.03	8 .1	81.04	11.1	+3.0	—10.5	— 7.5

TABLE VIII(b) (*Concld.*)

COMPOSITION OF THE LICENCES ISSUED TO COMMERCIAL IMPORTERS: 1959-1963

Commodity group	1959		1963		Net percentagechange in 1963 over 1959	Net percentage change in 1959 over 1955	Net percentage change in 1963 over 1955
	Amount (*million rupees*)	% of total commercial licensing	Amount (*million rupees*)	% of total commercial licensing			
Raw Material for Capital Goods (R_{co})							
Arms and ammunition	1.41	0.3	0.49	—	—0.3	—	—
Building material	0.97	—	0.80	—	—	— 1.3	— 1.3
Rubber material	13.89	2.9	27.25	3.7	+ 1.2	+ 0.5	+ 1.3
Chemical material	1.27	0.3	3.45	0.5	+ 0.2	— 0.2	—
Cane, wood, timber, *etc.*	5.19	1.1	8.83	1.2	+ 0.1	— 0.1	—
Brake fluid, oil, *etc.* (includes allocations to OCAC)	250.98	51.8	234.63	32.1	— 19.7	+23.5	— 3.8
Clay and glass material	5.20	1.1	2.81	0.4	— 0.7	+ 0.1	— 0.6
Miscellaneous	0.66	—	—	—	—	—	—
Total (R_{ca})	279.57	57.7	294.44	40.3	—17.4	+22.6	+ 5.2
Capital Goods (C_a)							
Metal products	20.74	4.3	108.12	14.8	+10.5	+ 2.0	+12.5
Electrical equipment	10.84	2.2	6.11	0.8	— 1.4	+ 0.6	— 0.8
Transport equipment	27.34	5.6	71.19	9.7	+ 4.1	+ 1.2	+ 2.9
Non-metallic equipment	32.64	6.7	71.54	9.8	+ 3.1	+ 3.0	+ 6.1
Miscellaneous	—	—	—	—	—	—	—
Total (C_a)	91.57	18.90	256.97	35.14	+16.24	+ 4.6	+20.8
Total Licensing	**484.45**		**731.09**				

Source: Data provided by the CCIE [6].

TABLE X(b)

A COMPARISON OF IMPORT LICENCES ISSUED UNDER EXPORT-BONUS SCHEME AND COMMERCIAL LICENSING: 1959-1963

Commodity group	1959		1963		Net change in 1963 over 1959 E.B.S.	Net change in 1963 over 1959 C.L.
	Amount licensed E.B.S.	% of total licensing under E.B.S.	Amount licensed E.B.S.	% of total licensing under E.B.S.		
A. Consumer Goods (C_o)						
Food	0.92	1.2	3.78	1.8	+0.6	+1.0
Textile and clothing	10.68	14.0	5.79	2.8	—11.2	—
Toilet requirements	0.08	—	2.38	1.2	+ 1.2	—0.3
Beverages	0.32	—	0.35	—	—	—0.1
Drugs and medicine	0.16	—	0.42	—	—	—0.1
Stationery and related items	2.56	3.4	3.57	1.8	— 1.6	—
Cigarettes and tobacco	—	—	3.29	—	—	—
Glass and glassware	0.39	—	2.12	1.1	+ 1.1	—0.2
Furniture	—	—	—	—	—	—
Musical instruments	negligible	—	0.6	—	—	—
Domestic hardware	—	—	negligible	—	—	—
Clocks and watches	1.49	2.0	6.26	3.1	+ 1.1	—
Rubber manufacturing	0.29	—	1.45	0.7	+ 0.7	—
Miscellaneous	1.28	1.7	2.18	1.1	— 0.6	—
Total (C_o)	18.46	24.3	28.83	14.1	—10.2	+0.2

(contd.)

TABLE X(b) (*Contd.*)

A COMPARISON OF IMPORT LICENCES ISSUED UNDER EXPORT-BONUS SCHEME AND COMMERCIAL LICENSING: 1959-1963

Commodity group	1959		1963		Net change in 1963 over 1959 E.B.S.	Net change in 1963 over 1959 C.L.
	Amount licensed E.B.S.	% of total licensing under E.B.S.	Amount licensed E.B.S.	% of total licensing under E.B.S.		
B. Material chiefly for Consumer Goods (R_{co})						
Oil and oilseeds and other seeds	1.76	2.3	4.71	2.3	—	+0.1
Silk, cotton, wool, yarn and thread	3.66	4.8	51.38	25.1	+20.3	—0.2
Chemicals and gas	10.24	13.7	3.63	1.8	—11.9	+1.8
Rubber material	0.72	0.9	negligible	—	— 0.9	+0.3
Film and photopgraphy	0.10	—	0.35	—	—	—0.1
Opticals and optical instruments	0.13	—	negligible	—	—	+0.2
Tobacco unmanufactured	0.10	—	negligible	—	—	—
Dyes, paints and varnishes, *etc.*	3.59	4.7	0.57	negligible	— 4.7	+1.8
Paper and paperboard	0.20	—	1.72	0.8	+ 0.8	—0.3
Miscellaneous	0.46	—	0.76	negligible	—	—0.3
Total (R_{co})	21.13	27.8	63.24	31.0	+ 3.2	+3.0
C. Material for Capital Goods (R_{ca})						
Arms and ammunition	0.07	—	3.23	1.6	+ 1.6	—0.3
Building material	0.31	—	1.68	0.8	+ 0.8	—

(*contd.*)

TABLE X(b) (*Concld.*)

A COMPARISON OF IMPORT LICENCES ISSUED UNDER EXPORT-BONUS SCHEME AND COMMERCIAL LICENSING: 1959-1963

Commodity group	1959		1963		Net change in 1963 over 1959 E.B.S.	Net change in 1963 over 1959 C.L.
	Amount licensed E.B.S.	% of total licensing under E.B.S.	Amount licensed E.B.S.	% of total licensing under E.B.S.		
Rubber material	Negligible	—	5.30	2.6	+ 2.6	+1.2
Chemicals	2.11	2.7	0.98	Negligible	— 2.7	+0.2
Cane, wood, timber, *etc.*	0.14	—	0.54	Negligible	—	+0.1
Brake fluid, grease, oil, *etc.*	—	—	—	—	—	—19.7
Clay and glass material	2.24	2.9	2.81	1.4	— 1.5	— 0.7
Miscellaneous	1.42	1.9	2.20	1.1	— 0.8	—
Total (R_{ca})	6.15	8.1	18.64	9.1	+ 1.0	—17.6
D. Capital goods (C_a)						
Metal products	7.19	9.4	9.92	4.8	— 5.4	+10.5
Electric equipment	1.88	2.4	19.89	9.7	+ 7.3	— 1.4
Transport equipment	1.02	1.3	45.63	22.3	+21.0	+ 4.1
Non-metallic equipment	19.92	26.2	37.84	18.5	— 7.7	+ 3.1
Miscellaneous	0.31	—	0.19	Negligible	—	—
Total (C_a)	30.31	39.8	93.57	45.8	+ 6.0	+16.24
Total (A+B+C+D)	**76.05**		**204.28**			

Source: Computed from the data provided by the CCIE [6].