

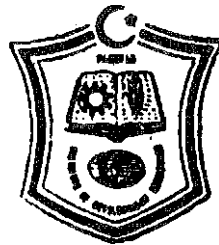
Research Report Series

No. 103

**THE STRUCTURE OF INDIRECT TAXES
IN 1971 AND 1973**

by

Javed Ashraf



**Pakistan Institute of Development Economics
Post Box No. 1091, Islamabad
(Pakistan)**

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THE STRUCTURE OF INDIRECT TAXES IN 1971 AND 1973

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I. INTRODUCTION

Protection is an important issue, being vital in the overall economic growth of a country. Apart from the well known infant industry argument, protection by allowing domestic industry to expand, effects substantial foreign exchange savings. The import-substitution which takes place as a result of protection has several favourable effects on the economy. It allows indigenous entrepreneurs to take advantage of existing markets rather than have to forge new ones for their products. By economizing on the use of foreign exchange, it reduces the reliance on foreign assistance.

Protection is particularly important for Pakistan. Several studies have been under-taken on the subject. Some of them e.g. those by Lewis and Qureshi [5] note that the relative profitability of investment in different industries is affected by government policies like the exchange rate policy, import licensing, and the export

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bonus scheme and that these may be more important than the profit differentials generated by indirect taxes. This notwithstanding, we examine the differential incentives provided by indirect taxes alone, in this paper.

The decade of the 1970s has been important for Pakistan in two respects: it heralded a slower growth of industry beginning in 1970-71, and there was a change in the exchange-rate policy. The questions that we seek to answer is what the level of protection is, following the March 1972 devaluation.

This study surveys the structure of indirect taxes by industrial classification, as existed in Pakistan prior to, and following the devaluation. For this, we have taken 1970-71, and 1972-73 as the representative years for the pre and post devaluation eras. Tax levels, or in other word, the degree of protection being accorded to individual industrial groups, significantly affects the incentive for private investment, and as a result the growth of production and employment. The levying of different rates of taxes on different industries, and on imported and locally goods allows varying incentives for different industries.

It has not been possible for us to directly compare 1971 and 1973 protective levels due to lack of data on

import licensing and scarcity mark-ups. To this extent, the purpose of this paper is limited, and it has no pretensions to being an exhaustive review of protection. We confine ourselves to surveying the structure of tariffs and sales taxes before and following devaluation.

The differential set of incentives created by the structure of indirect taxes for both 1970-71 and 1972-73 are clear from Table I and Table II. Thirty major industrial categories have been divided into three major groups: Consumer, intermediate and investment goods. A fourth group 'Other Miscellaneous; consists of all such commodities as do not fall under the earlier three categories. These groups cover more than 2,000 commodities. We have computed both the sectoral and overall tax levels. On the average consumer goods are charged the highest rate of taxes. Intermediate goods have a relatively lower average tax level whereas investment goods are charged the least. This structure holds for both 1971 and 1973. However, the average level of taxes is substantially lower in 1972-73 than in 1970-71.

The percentage drop in the tariffs from 1971 to 1973 is clear from Tables 1, 2, 3, and 4.

Table 1

Percentage Drop in Weighted Tariffs (Including Export Industries)

	1971	1973	Percentage Fall
Consumer Goods	95.15	61.62	35
Intermediate Goods	65.62	47.62	27
Investment Goods	50.62	32.38	36
Overall	75.87	50.43	34

Table 2

Percentage Drop in Weighted Tariffs (Excluding Export Industries)

	1971	1973	Percentage Fall
Consumer Goods	95.62	67.38	42
Intermediate Goods	59.86	46.14	23
Investment Goods	50.62	32.38	36
Overall	70.96	45.58	36

Table 3

Percentage Drop in Unweighted Tariffs (Including Export Industries)

	1971	1973	Percentage Fall
Consumer Goods	95.62	67.38	30
Intermediate Goods	58.13	41.50	29
Investment Goods	56.25	35.50	37
Overall	74.90	51.87	31

Table 4

Percentage Drop in Unweighted Tariffs (Excluding Export Industries)

	1971	1973	Percentage Fall
Consumer Goods	104.90	67.10	36
Intermediate Goods	52.43	39.86	24
Investment Goods	56.25	35.50	37
Overall	75.19	49.77	34

II. EARLIER FINDINGS

Whereas several studies on the indirect tax structure have been undertaken earlier, none has so far examined the tax system after the 1972 rupee devaluation. This we have attempted in this paper. In view of the far ranging implications of the indirect tax structure, it is imperative to examine how this structure has been modified as a result of the devaluation, and the corresponding effects on protective levels.

In a study of tariffs and investment efficiency, Stern and Soligo [13] concluded that the tariff structure was unduly biased in favour of consumer goods industries. High protective levels had led to over investment in these industries, and they may even have had negative marginal products. In strongly pleading for a thorough overhaul of the tariff and tax policies, they wrote "..... when the potentially distorting effects of the tariff structure were neutralized by import licensing and other direct controls, the pattern of investment has been wastefully biased towards consumer goods industries. When the neutralizing influences of direct controls are removed and the existing tax structure becomes one of the major determinants of relative prices and relative refitabilities, Pakistan could be subjected

to a period of wasteful and inefficient investment in additional consumer goods industries."

Khan [3] also criticised the high protection being accorded to consumer goods industries. He argued that this induces excessive investment in the protected industries. In the absence of export possibilities, this leads to consumption liberalization, and this later might in itself account for stagnation in per capita income.

Kemal [2] concluded that a major part of domestic value added is contributed by protection, thus bearing out what Lewis and Guisinger [4], and Soligo and Stern [13] earlier found.

Lewis and Guisinger [4] stated that after making adjustments for price comparisons and the over valuation of the domestic currency, the weighted average of industries still had more than 66% value added due to protection.

Power [11] and Radhu [12] also said that the high protection being accorded to consumer goods industries was detrimental to over all growth, and that intermediate and investment good industries, should be given higher protection.

III. THE STRUCTURE OF INDIRECT TAXES

Sales Taxes

Under Section 3 of the Sales Tax Act 1951, Sales Tax is levied and collected on the value of : (a) all goods produced or manufactured in Pakistan payable by the manufacturer or the producer; (b) all goods imported into Pakistan payable by the importer; (c) all goods sold by licensed wholesalers payable by the licensed wholesalers; (d) goods notified by the government so leviable when exported from Pakistan, payable by the exporter.

Quite a number of commodities are exempt from the payment of Sales Tax. The Pakistan Customs Tariff (hereafter referred to as the PCT) which gives the rates of Sales taxes has several lists giving the different rates charged on various classes of commodities. In 1971, there were six such lists for (i) goods exempted only when manufactured in Pakistan (ii) goods exempted on both import and local manufacture (iii) goods taxable at a reduced rate (iv) goods taxable at an enhanced rate (v) goods taxed at 30% when imported into West Pakistan, and 12½% when imported into East Pakistan (vi) goods taxed when exported.

In 1973 there were a total of nine such lists. The first four and the sixth list were the same as in 1971. The others were (i) goods exempted only on import (ii) exemption of machineries, their components and spare parts; and (iii) special exemptions.

The standard rate of sales tax for both 1971 and 1973 was 20%. We assumed this rate for all commodities which we failed to locate in the lists referred to above. This procedure may have resulted in some errors since the precise identification of some commodities was difficult.

In general, necessities like food articles, drugs and pharmaceuticals etc. were charged rates substantially below the standard rate, while luxuries like fur and silken goods were charged more than the standard rate.

We have two sets of sales taxes; those for imports and those for domestic production. The subtraction of the latter from the former gave us the protection being accorded by sales taxes to various industrial categories. While the sales taxes in 1971 were in no case higher for domestic production as compared to imports, this was not true in 1973. As a result the sales tax structure in 1973 was extending negative protection to some industries. We took both the weighted and unweighted sales taxes for the

industries, using the value of imports as the weights. Our results are compiled in Table I and II.

Tariffs

Whereas tariffs fulfill several functions including the preserving of foreign exchange through the encouragement of import substitution, placing constraints on consumption and bringing in revenue to the government, the most important economic effect is according protection to different industries. As with sales taxes, the highest tariffs are levied on luxuries while necessities have fairly low rates.

The tariff rates were obtained from the Pakistan Customs Tariff for 1971 and 1973. The PCT has six columns giving the statutory rate of tariffs, the general exemption for all countries, the exemption allowed under GATT, and the exemptions granted to the U.K. and to Ceylon or a British colony.

Several commodities are charged more than one tariff rate depending upon the quality e.g. expensive motor cars are charged higher duties than the lesser priced varieties. In all such cases we took a simple average of the various rates for the commodity in question. As with sales taxes, there was some difficulty

in the proper identification of some commodities. In such cases, selected only those commodities which seemed to represent the industrial classification described in Table I & II.

Most of the tariffs were reported on an ad valorem basis. However some of them were specific, and these were converted into ad valorem rates. The procedure was to obtain the unit cost of the commodity by dividing the import value by the quantity and then by taking the specific duty as a percentage of the unit cost. Both the import values and quantities were obtained from the Foreign Trade Statistics of Pakistan (July 1970-71 and April-June 1973 issues). While the FTS gives the import values for imports from all countries, it does not give the corresponding quantities in all cases. In computing unit costs, we took the import values and quantities only for the major sources of import.

We calculated both the weighted and unweighted tariff rates for each industrial category (the import values being the weights). Our principal reason for taking unweighted averages was to offset the tendency of commodities with large import values to influence the average of the entire industrial category.

The differential structure of tariffs is clear in the following tables:-

Table 5

Percentage Tariff Rates of Industrial Sectors

	Consumer Goods		Inter-mediate Goods		Investment Goods	Overall Average	
1971 (Weighted)	95	(91)	66	(60)	51	76	(71)
(Unweighted)	96	(105)	58	(52)	56	75	(75)
1973 (Weighted)	62	(53)	48	(46)	32	50	(46)
(Unweighted)	67	(67)	42	(40)	35	52	(50)

Note: The figures in parentheses indicate the tariff rates excluding the export industries.

In several industrial categories, there is a tremendous amount of variation in the tariff rates of individual commodities as is evident from Table III. In some cases, one commodity in an industrial category with a very large import value influenced the average tariff rate of the whole category, thereby leading to a sizeable difference between the weighted and unweighted averages.

As a whole, the variation of tariff rates in the consumer goods sector is highest, followed by the intermediate and the investment goods sector. Many commodities in the consumer goods category had low tariffs because they were necessities or goods important for general welfare, like medicines. However, most commodities in this category had high tariffs, most probably in an attempt by policy makers to stimulate their domestic production through import substitution.

This explain the very large variations in the tariff rates of this category. This is borne out by the following tables:-

Table 6

Standard Deviation of Tariff Rates of Industrial Sector

	Consumer Goods	Inter-mediate Goods	Investment Goods	Overall Average
1971 (Weighted)	73.3	40.0	24.4	56.4
(Unweighted)	44.9	27.4	20.7	37.2
1973 (Weighted)	42.3	26.2	12.8	33.9
(Unweighted)	30.8	19.9	17.2	28.1

Table 7

Coefficient Variation of Tariff Rates of Industrial Sector

	Consumer Goods	Inter-mediate Goods	Investment Goods	Overall Average
1971 (Weighted)	76.9	60.9	68.2	77.0
(Unweighted)	46.4	47.1	36.8	50.7
1973 (Weighted)	58.5	55.0	39.5	63.7
(Unweighted)	44.5	47.9	48.4	55.1

Table 8

Semi Inter-Quartile Range of Tariff Rates of Industrial Sector

	Consumer Goods	Inter-mediate Goods	Investment Goods	Overall Average
1971 (Weighted)	42.0	16.0	19.7	28.5
(Unweighted)	30.5	14.5	15.2	22.7
1973 (Weighted)	26.0	12.0	12.0	18.5
(Unweighted)	16.5	13.5	11.7	17.2

Excise duties

Central excise duties are one of the largest single sources of revenue of the government. They are imposed on a selective basis, both on goods and services. For this purpose such goods and services are selected as may bear the incidence without much adverse effect on the overall industrial development and market economy.

With the growth of the industrial sector, the field for excise taxation has progressively expanded over the years. The rates of excise duties applicable to various items are either specific or ad valorem depending on the nature of the commodity and the enterprises concerned. In the case of services, the rate of duty is a percentage of the charge for the exciseable service.

The excise procedure basically requires excise goods to be cleared on payment of duty under excise supervision from the place where they are produced, manufactured, or stored under bond. In order to provide for the requirements of rapid industrial development, a procedure was introduced in 1963 at principal industrial centres in respect of certain exciseable commodities under which goods could be cleared after payment of duty on the basis of self assessment by the manufacturers without intervention of the excise staff. For encouraging the maximum utilization of productive industrial potential, six commodities

namely cement, sugar, soda ash, vegetable products, cotton fabric and cotton yarn put on production Capacity Scheme of Taxation since 1966. Under this system, individual manufacturing units producing these commodities were required to pay duty on the basis of the production capacity instead of actual production. The quantities of these commodities produced in excess of the notified production capacity were thus not subjected to duty.

Relatively few of the 64 commodities subject to excise duties, account for more than 90% of the total value of the excise duties collected. These are cigarettes, petroleum products, sugar, vegetable products, cotton yarn, cotton fabrics and tea.

To the extent that excise duties raise the price of domestically produced goods they extend negative protection to exciseable commodities. In a study of production, it is therefore necessary to include excise duties along with tariffs and sales taxes in computing protection levels. Unfortunately, data on excise duties were specific. Lack of unit costs of various commodities kept us from converting these specific into ad valorem rates.

Table IV giving scarcity mark ups required for protection levels to be equal in 1971 and 1973 have thus

been calculated without taking excise duties into account.

IV. LEVELS OF PROTECTION

Direct comparison of 1971 and 1973 protection levels has not been possible for us to compute, in view of the non availability of data on import licensing and scarcity mark ups. However, we have calculated the scarcity make ups (S^*) that would be required for the level of protection to be equal in 1971 and 1973. For this, we have used the formula:

$$\frac{f'}{f} \left(\frac{1+t'}{1+t} \right) - 1 = S^*$$

Where:

f' = Official exchange rate AFTER devaluation.

f = Official exchange rate BEFORE devaluation.

t' = Tariff + differential sales tax AFTER devaluation.

t = Tariff + differential sales tax BEFORE devaluation.

$S^*=0$ = Protection unchanged.

$S^*>0$ = Protection has increased.

$S^*<0$ = Protection has decreased.

As an example, the scarcity mark up for edible oils required to make the protection levels equal in 1971 and 1973 is 119%. It shows that protection is higher in 1973 than in 1971.

V. CONCLUSIONS

The structure of tariffs, which accords the highest protection to the consumer goods industries followed by intermediate and then investment goods industries, has important implications. It provides incentives for import substitution in the consumer goods industries. Capital goods, having low tariff rates are imported rather than locally produced, since the latter course is not very profitable. The heavy duties on luxuries and semi-luxuries tends to curb their imports. However, the high tariff levels also helps to promote their local production, which can only be remedied by the imposition of high sales taxes and excise duties. If this is not done, import substitution may take place for these unessential goods.

There would seem to be weight in the argument advocating the levying of higher tariff rates on the intermediate and investment goods industries and thereby initiating the process of import-substitution in these sectors. As pointed out by Guisinger [3] in a recent study, the potential for import substitution in the consumer goods industries has been almost totally exhausted with only 6% of total supplies of these goods imported compared to 58% and 63% for intermediate and investment goods.

Although we can prima facie make out a case for extending import substitution to the intermediate and investment goods sectors, certain things must be borne in mind. The facility with which import substitution has been adopted in the consumer goods sectors has been largely because they make no huge demands on capital and skilled labour resources.

Moreover there is already a market for such commodities in under developed countries. These may not be true of other sectors. In the absence of export possibilities, limited domestic markets may not allow firms to operate economically. Capital and skilled labour shortages may act as further constraints. We therefore make our recommendation with certain assumptions. Spelling these assumptions out, however, is beyond the scope of this paper. The crucial nature of our recommendation was stressed in the Third Five Year Plan also:

".....The import substitution effort will have to be intensified, particularly in capital goods and intermediate products, like base metals, chemicals, petroleum products and non-metallic minerals.....The scarcity price of foreign exchange should be appropriately reflected to the economy so that there is an incentive to use less foreign exchange and more domestic resources. This will call for a change in the present tariff policy.....".
"The second important element in the (balance of payments) strategy is to develop an import

pattern which will encourage savings and investment and extend the import substitution effort to a much wider front".

The argument for equal sectoral protection was advanced in Pakistan by Power who observed that industrialization would be limited to import substitution in the consumer goods sector because of a tariff structure discriminating against the intermediate and investment goods industries. The system by placing the heaviest duties on the least essential imports encouraged the production of non-essential consumer goods. Further-more, the low income elasticity of demand for consumer goods in foreign countries would act as a limit to growth through export expansion. Power pointed out that the extention of import substitution to the intermediate and investment goods sectors would lead to a rise in the savings rate, so vital for propelling the economy forward. The differential structure of tariff would also lead to "consumption liberalization". After a time, domestically produced consumption goods would be consumed in greater quantities than if they had been imported. This decontrol of consumption brought about by the tariff structure would adversely affect both savings and the rate of growth, Khan [3], too, brought up this point.

Radhu in a study of the tax structure in 1964, focussed attention on the discriminatory incentives provided by the tariff rates. In arguing for a more equitable tariff structure, he stressed that low rates of duties on capital goods not only discouraged their domestic production, but gave rise to huge profits in the industries receiving the imported capital goods. Apart from this, it led to the adoption of capital-intensive techniques of production. Radhu also maintained that low duties on raw materials for consumption goods led local producers of consumption goods to use imported raw materials. Another point raised by him was that the limited domestic market would curtail the development of industry unless import substitution was extended to the intermediate goods and investment goods industries. In line with Powers reasoning, Radhu stressed that import substitution in the consumers goods alone was detrimental to overall growth.

In drawing our own conclusions from the data that has been available to us, the most striking preliminary observation is that most of Radhu's contentions seem to be valid even today. The structure of taxes both in 1971 and 1973 continued to be strongly discriminatory against the intermediate goods and investment goods sectors. We would also therefore, recommend a structure of taxes that may allow the extension of import substitution to the intermediate and investment goods sectors. This is

imperative in view of the near exhaustion of the import substitution potential in the consumer goods sector. The low rates of duties on capital goods has hitherto contributed significantly to the low investment in this sector, since, capital goods can be cheaply imported. Higher duties should not only serve as an incentive for investment in this sector, but will also ease the pressure of domestic demand for capital goods. Growth via exports of consumer goods cannot go very far because of the low income elasticity of demand for these commodities abroad. Hence export oriented growth can be successful only by the growth of the intermediate and investment goods industries. To the extent that import substitution departs from the principle of comparative advantage, it gives high cost, inefficient industries surviving only because of the high tariffs. The protection accorded to them may be higher than their contribution in terms of value added.

Raw materials for capital goods industries should be taxed at a higher rate to encourage their domestic production. However such materials as are not domestically available should be taxed lightly as before. There should be heavy sales taxes on unessential consumer goods so that the advantage gained from their reduced imports because of high tariffs is not lost by their increased domestic production.

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1971

TARIFF RATES AND SALES TAXES OF COMPETING INDUSTRIES OF PAKISTAN

Consumer Goods	Wted Av. Tariff	Unwted. Av. Tariff	Wted Av. Sales Tax (Imports)	Wted Av. Sales Tax (Dom. Prod.)	(3)-(4) %	Unwted Av. Sales Tax (Imports)	Un- wted Av. Sales Tax (Dom Prod)	(6)-(7) %	Value of Imports (in 000s)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1- Sugar & Confectionary (19)	86	80	18	18	Nil	18	18	Nil	930
2- Edible & Inedible oils & fats(2)	41	48	20	7	13	20	10	10	41
3- Tea & Coffee (3)	28	75	Nil	Nil	Nil	13	13	Nil	5467
4- Food Manufacturing N.L.S.(136)	23	78	4	4	Nil	10	10	Nil	33961
5- Tobacco Products (8)	287	207	Nil	Nil	Nil	Nil	Nil	Nil	558
6- Spinning etc. of cotton textiles (33)	103	99	20	3	17	20	2	18	647
7- Other Textiles (38)	141	95	4	4	Nil	13	13	Nil	31347
8- Footwear & made-up articles(59)	118	143	20	18	2	20	18	2	1749
9- Furniture (8)	125	109	20	20	Nil	20	20	Nil	2409
10- Printing & Publishing (13)	43	63	8	8	Nil	13	13	Nil	11511
11- Sports, athletic goods & toys(37)	81	66	15	Nil	15	6	Nil	6	4158
12- Medicines & Pharmaceuticals (77)	43	56	1	1	Nil	7	7	Nil	59772
13- Consumer Durables (42)	<u>118</u>	<u>124</u>	<u>9</u>	<u>9</u>	<u>Nil</u>	<u>22</u>	<u>22</u>	<u>Nil</u>	<u>83082</u>
	<u>95.1</u>	<u>95.62</u>	<u>10.31</u>	<u>7.08</u>	<u>3.62</u>	<u>14.00</u>	<u>11.23</u>	<u>2.77</u>	
Intermediate Goods	(91.20)	(104.90)	(9.50)	(8.50)	(1.15)	(14.3)	(13.1)	(1.23)	
14- Wood & Cork (37)	55	74	20	20	Nil	20	20	Nil	11780
15- Paper & Paper goods (66)	57	78	20	20	Nil	19	19	Nil	38579
16- Leather & leather goods (26)	106	98	30	Nil	30	30	Nil	30	6927
17- Rubber & rubber Products (51)	55	44	20	20	Nil	20	20	Nil	63163

Cont'd..

Intermediate Goods	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
18- Industrial Chemicals (415)	49	50	20	13	7	20	17	3	302355
19- Fertilizers (8)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	117528
20- Petroleum Products (41)	141	68	2	2	Nil	12	12	Nil	96780
21- Instruments (67)	<u>62</u>	<u>53</u>	<u>27</u>	<u>20</u>	<u>7</u>	<u>23</u>	<u>18</u>	<u>5</u>	<u>45810</u>
Sector Average:	<u>55.62</u>	<u>58.13</u>	<u>17.37</u>	<u>11.87</u>	<u>5.50</u>	<u>18.6</u>	<u>43.85</u>	<u>4.75</u>	
	(59.86)	(52.43)	(15.57)	(11.87)	(2.0)	(15.29)	(15.14)	(91.14)	
<u>Investment Goods</u>									
22- Wood (2)	15	25	20	20	Nil	20	20	Nil	13877
23- Non metallic mineral Products (10)	76	75	21	19	2	21	17	4	32863
24- Basic metal industries (162)	41	46	14	Nil	14	17	Nil	17	444708
25- Fabricated metal industries (123)	62	68	14	14	Nil	18	18	Nil	160421
26- Electrical Machinery (100)	53	56	29	29	Nil	28	28	Nil	244792
27- Non-electrical machinery (250)	50	50	20	19	1	20	18	2	663213
28- Motor Vehicles (16)	90	94	16	16	Nil	15	15	Nil	125125
29- Other transport equipment (33)	<u>18</u>	<u>36</u>	<u>20</u>	<u>20</u>	<u>Nil</u>	<u>18</u>	<u>18</u>	<u>Nil</u>	<u>292339</u>
Sector Average:	<u>50.62</u>	<u>56.25</u>	<u>19.25</u>	<u>17.12</u>	<u>2.12</u>	<u>19.62</u>	<u>16.75</u>	<u>2.87</u>	
<u>Other</u>									
30- Other Miscellaneous (199)	<u>109</u>	<u>89</u>	<u>18</u>	<u>18</u>	<u>Nil</u>	<u>18</u>	<u>18</u>	<u>Nil</u>	<u>24602</u>
Overall :	<u>75.87</u>	<u>74.90</u>	<u>15</u>	<u>11.40</u>	<u>3.60</u>	<u>16.17</u>	<u>13.47</u>	<u>3.23</u>	
Average :	(70.96)	(75.19)	(14.65)	(12.88)	(1.77)	(16.61)	(14.96)	(.65)	

TABLE II

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TARIFF RATES AND SALES TAXES OF COMPETING INDUSTRIES OF PAKISTAN

Consumer Goods	Wted Av. Tariff	Un- wted Av. Tariff	Wted Av. Sales Tax (Imports)	Wted Av. Sales Tax (Dom. Prod.)	(3)-(4)	Un- wted Av. Sales Tax (Dom., Prod.)	Un- wted Av. Sales Tax (Dom. Prod.)	(6)-(7)	Value of Imports (in 000s)
	%	%	%	%	%	%	%	%	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1- Sugar & Confectionary (13)	5	43	Nil	20	-20	14	20	-6	431917
2- Edible & inedible oils & fast(4)	70	42	20	13	20	20	5	15	7564
3- Tea & Coffee (3)	17	55	Nil	20	-20	13	20	-7	1633
4- Food Manufacturing NES (98)	40	64	13	13	Nil	16	13	3	61675
5- Tobacco Products (3)	150	150	Nil	20	-20	Nil	20	-20	694
6- Spinning etc. of cotton textiles	82	72	16	Nil	16	14	Nil	14	954
7- Other textiles (39)	(13) 131	80	3	8	-5	8	11	-3	151713
8- Footwear Made-up articles (42)	51	77	11	11	Nil	21	21	Nil	28609
9- Furniture (5)	91	88	20	20	Nil	20	20	Nil	2024 %
10- Printing & Publishing (25)	39	47	9	19	-10	10	17	-7	14016
11- Sports, athletic goods & toys(31)	57	53	20	2	Nil	3	3	Nil	2458
12- Medicines, Pharmaceuticals etc.	11	29	1	19	-18	5	17	-12	131585
13- Consumer Durables (34)	<u>57</u>	<u>76</u>	<u>15</u>	<u>15</u>	<u>Nil</u>	<u>20</u>	<u>20</u>	<u>Nil</u>	<u>130408</u>
Sector Average:	<u>61.62</u> (53.1)	<u>67.38</u> (67.1)	<u>8.46</u> (8.9)	<u>14.23</u> (17.5)	<u>-4.38</u> (-4.6)	<u>12.61</u> (13.9)	<u>14.38</u> (17.3)	<u>1.77</u> (-1.2)	
<u>Intermediate Goods</u>									
14- Wood & Cork (25)	62	53	5	15	-10	7	13	-6	17436
15- Paper & Paper goods	52	58	14	14	Nil	11	11	18	105832

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
16- Leather & Leather goods	58	57	19	Nil	19	18	Nil	18	1817
17- Rubber & Rubber Products	39	38	7	13	-6	10	12	-2	91195
18- Industrial Chemicals	35	31	4	9	-5	3	14	-20	638926
19- Fertilizers	Nil	Nil	Nil	20	-20	Nil	20	-20	388972
20- Petroleum Products (34)	98	69	Nil	Nil	Nil	13	Nil	13	187599
21- Instruments (59)	37	30	9	7	2	9	5	2	89275
Sector Average:	47.52	41.50	7.12	9.75	-2.50	8.87	9.62	0.75	
	(46.14)	(39.86)	(5.57)	(11.14)	(-0.14)	(7.57)	(11.00)	(-17.1)	
<u>Investment Goods</u>									
22- Wood (1)	15	15	Nil	20	-20	Nil	20	20	195304
23- Non-Metallic mineral Products	44	54	15	13	21	16	13	31	38236
24- Basic Metal Industries (134)	23	23	7	Nil	7	9	Nil	9	892933
25- Fabricated Metal Industries	50	52	10	10	Nil	12	12	Nil	215997
26- Electrical Machinery(94) ⁽¹⁰⁴⁾	33	38	5	6	-1	9	8	1	432708
27- Non-electrical machinery(215)	23	27	11	9	2	13	12	1	778412
28- Motorvehicles (14)	49	45	19	19	Nil	16	16	Nil	294685
29- Other Transport Equipment(22)	22	30	1	17	-16	5	14	-11	84561
Sector Average:	32.38	35.50	8.5	11.75	-3.25	10.0	11.87	-2.12	
<u>Other</u>									
30- Other Miscellaneous	72	60	12	12	Nil	13	13	Nil	64750
Overall :	50.43	51.87	8.26	11.97	-3.43	10.93	12.4	-1.13	
Average :	(45.58)	(49.77)	(8.90)	(13.42)	(-2.82)	(10.96)	(13.77)	(-1.58)	

Note: The figures in parentheses indicate the number commodities in each industrial category.

Range of Duties on Imported Goods by Industrial Classification

<u>Consumer Goods</u>	<u>1971</u> %	<u>1973</u> %
1- Sugar and Confectionary	Nil-329.76	5-100
2- Edible & inedible oils & fats	20.99-75	12-75
3- Tea & Coffee	25.85-100	15.22-75
4- Food manufacturing n.e.s	Nil - 125	Nil - 100
5- Tobacco Products	50-55	150
6- Spinning etc. of cotton textiles	65-162.5	40-100
7- Other textiles	25-150	20-250
8- Footwear & made-up articles	12.5-212.5	20-112.5
9- Furniture	30-125	40-100
10- Printing & Publishing	Nil-125	Nil-100
11- Sport, athletic goods & toys	Nil-150	45-75
12- Medicines, pharmaceutical etc.	Nil-125	Nil-100
13- Consumer durables	20-171.60	
<u>Intermediate Goods</u>		
14- Wood & Cork	15-150	20-120
15- Paper & Paper goods	50-125	20-125
16- Leather & leather goods	50-200	20-125
17- Rubber & rubber products	Nil-87.5	Nil-60
18- Industrial chemicals	15-150	Nil-100
19- Fertilizers	Nil	Nil
20- Petroleum Products	25-431.5	20-339
21- Instruments	Nil-100	Nil-75
<u>Investment Goods</u>		
22- Wood	15-25	15
23- Non metallic mineral products	Nil-150	Nil-100
24- Basic metal industries	10-125	10-100
25- Fabricated metal industries	50-150	20-100
26- Electrical machinery	12.5-100	Nil-75
27- Non electrical machinery	Nil-150	Nil-100

Cont'd..

<u>Investment Goods</u>	<u>1971</u> <u>%</u>	<u>1973</u> <u>%</u>
28- Motor Vehicles	150171.66	10.126
29- Other transport equipment	Nil-75	10.60
<u>Other</u>		
30- Other miscellaneous	Nil-150	Nil-150

TABLE IV

Scarcity Mark Ups Required for Protection Levels to be same in 1971 and1973

<u>Consumer Goods</u>	Wted. (%)	S* w	Unwted. (%)	S* u
1- Sugar Confectionary	1		68	
2- Edible & inedible oils & fats	173		119	
3- Tea & Coffee	67		890	
4- Food Manufacturing N.E.S.	152		108	
5- Tobacco Products	31		66	
6- Spinning etc. of cotton textiles	99		90	
7- Other Textiles	107		101	
8- Footwear & Made-up articles	52		59	
9- Furniture	88		99	
10- Printing & Publishing	99		90	
11- Sports, athletic goods & toys	77		97	
12- Medicines, Pharmaceuticals etc.	44		66	
13- Consumer Durables	59		75	
	Sector Average (A)	74	86	
	(B)	70	79	
14- Wood & Cork	117		86	
15- Paper & Paper goods	114		97	
16- Leather & Leather goods	66		35	
17- Rubber & rubber goods	190		108	
18- Industrial chemicals	84		72	
19- Fertilizers	77		77	
20- Petroleum products	82		139	
21- Instruments	87		92	
	Sector Average (A)	87	92	
	(B)	99	99	
<u>Investment goods</u>				
22- Wood	83		68	
23- Non metallic mineral products	105		92	
24- Basic metal industries	85		79	
25- Fabricated metal industries	105		100	
26- Electrical Machinery	91		97	

Cont'd..

27-	Non electrical machinery	83	65
28-	Motor vehicles	73	65
29-	Other Transport equipment	99	93
	Sector Average :	86	85

Other

30-	Other Miscellaneous	82	87
	Overall Average :	(A) 81	87
		(B) 83	85

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