

GENERAL AGREEMENT
ON TARIFFS AND
TRADE

ACCORD GENERAL SUR
LES TARIFS DOUANIERS
ET LE COMMERCE

RESTRICTED

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NON-DISCRIMINATORY MEASURES NOTIFIED BY THE
GOVERNMENT OF CEYLON UNDER PARAGRAPH 6 * OF
ARTICLE XVIII

The following letter, dated 5 May 1949, has been received by the
Chairman of the Contracting Parties from the leader of the Ceylon delegation:

"I have the honour to inform you that the Government of Ceylon has
found it necessary to introduce legislation in order to provide assistance
of the nature contemplated in Article XVIII of The General Agreement on
Tariffs and Trade to certain indigenous industries which have been
established in the Island. The Ceylon Parliament has recently passed a bill
entitled the "Industrial Products Bill", the main purpose of which is to
facilitate the sale of the industrial products of Ceylon by regulating the
importation of the like industrial products from abroad. This bill has not
yet been proclaimed, and before its provisions are implemented the Govern-
ment of Ceylon seeks the concurrence of the CONTRACTING PARTIES in terms of
paragraphs 6 and 7 of Article XVIII of The General Agreement on Tariffs and
Trade.

A written statement of the considerations in support of the adoption
of the proposed measure is enclosed, and I shall be grateful if arrangements
can be made for this question to be placed on the Agenda of the CONTRACTING
PARTIES for consideration and disposal in terms of Article XVIII.

I regret that notice of this question could not be given in time
for inclusion in the original agenda of the current session of the
CONTRACTING PARTIES as the Ceylon Parliament passed this bill only recently."

* i.e. paragraph 6 of the amended version.

STATEMENT BY THE CEYLON DELEGATION OF THE
CONSIDERATIONS IN SUPPORT OF THE ADOPTION
BY THE GOVERNMENT OF CEYLON OF AN ACT TO
FACILITATE THE SALE OF THE INDUSTRIAL
PRODUCTS OF CEYLON BY REGULATING THE
IMPORTATION OF INDUSTRIAL COMMODITIES FROM
ABROAD.

The Parliament of Ceylon has recently passed a bill entitled the "Industrial Products Bill", the main purpose of which is to facilitate the sale of the industrial products of Ceylon by regulating the importation of industrial commodities from abroad. The bill has not been proclaimed yet though it has been passed by both Houses of Parliament. Before implementing it the Government of Ceylon seeks the concurrence of the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade in the proposed measure in terms of paragraphs 6 and 7 of Article XVIII.

The Ceylon delegation wishes to draw the attention of the CONTRACTING PARTIES to the principles enunciated in paragraph 1 of Article XVIII and to stress that in seeking to adopt the proposed measure the Government of Ceylon has been influenced not merely by the urgent necessity for affording protection to its own industries, but also by a determination to devise a form of protection that will minimise restrictions on international trade.

Several industries were established in Ceylon during the war due largely to a general shortage of consumer goods, and the realisation that important raw materials were available in adequate quantities to justify the setting up of certain industries. A return to competitive trade and an improvement in the supply of consumer goods have created difficulties for most of the industries established in Ceylon during the war, and competition from imported goods is now threatening the very existence of these industries. The Government of Ceylon feels

that with some measure of protection for a limited period, practically all these industries which use indigenous raw material, will be able to expand and reach stability to an extent necessary to survive in the face of equal competition from foreign products. Without adequate protection it is also feared that the large number of persons (nearly 60,000) now employed in these industries will be thrown out of employment, thereby causing a further deterioration in the unemployment situation which is already acute. Contracting Parties will appreciate that a country like Ceylon with limited economic resources cannot lightly contemplate the possibility of further unemployment affecting such a considerable percentage of its working population.

Ceylon's economy has hitherto depended on the export of three primary agricultural commodities - Tea, Rubber and Coconut - all of which constitute over 96% of the total exports of the Island. On account of the present un-economic prices of natural rubber which are not likely to improve in the foreseeable future or to attain any level that would give stability to the rubber industry, many estates in Ceylon are closing down or are reducing their labour forces. This in itself has created a serious problem for the Government of Ceylon, not only by the growing unemployment engendered by this development but also by the reduction of its revenue. The Government of Ceylon strongly feels that the dependence of the Island's economy on three primary agricultural commodities is altogether unwise in the present context of international trade, and that the diversification of its economy by the stabilization of industries already established and using raw materials which would otherwise be wasted, is a matter of vital importance. It has come to the conclusion therefore, that the grant of protection by the method set out in this bill is essential to establish and develop these industries and to achieve the object of making its economy more and more broad-based.

The object of the "Industrial Products Bill" is to regulate the import of certain industrial products by requiring an importer, in order to enable him to obtain a licence to import any quantity of scheduled goods, to buy a certain proportion of the local products. The Government assumes the obligation to supply an importer the local product as and when required. No upper limit is set to the total imports of any of the scheduled goods, and there is thus no quantitative restriction on imports in the strict sense of that term.

This manner of granting assistance to local industries has been preferred to other well recognised measures, such as tariffs and subsidies for reasons which are peculiar to an economy such as that of Ceylon. High tariffs have been found in practice to impose unnecessarily severe burdens on consumers whose average income in Ceylon is extremely low. It is not possible for the Government to grant subsidies to these industries as the national income and the Government revenue cannot stand the strain of such payments. Quotas in the form of upper limits on imports are considered to be more restrictive of international trade. On a balance of considerations the Government of Ceylon is convinced that the system envisaged in the bill is least harmful to international trade. Apart from this the measure proposed is entirely non-discriminatory.

The Government of Ceylon will make every endeavour to apply the bill so as to avoid unnecessary damage to the commercial or economic interests of any other contracting party. It is further felt that the administration of this measure is not likely to cause prejudice to the exports of any primary commodity on which economy of the territory of any other contracting party is largely dependent.

The commodities to which protection is intended to be given under this bill are those which come under the scope of sub-paragraphs i and iii of paragraph 7 of Article XVIII. They are the following and the year of establishment in Ceylon of the relevant industry is quoted after the commodity.

1. Plywood - 1941
2. Glassware - 1944
3. Ceramics - 1941
4. Leather Goods - 1941
5. Acetic Acid - 1942
6. Drugs - Strichnine, Quinine and Shark Liver Oil - 1943
7. Rolled Steel Articles - 1942
8. Paper - 1941
9. Coir products - 1937
10. Soap - 1925
11. Matches - 1934
12. Cotton Textiles (Workshops have been established at various dates during the war)

The following commodities come within the scope of sub-paragraph ii of paragraph 7 of Article XVIII.

1. Rubber Goods
2. Cement

The Government of Ceylon requests the concurrence of the CONTRACTING PARTIES in the proposed bill in so far as it relates to the regulation of the above mentioned products. The Government of Ceylon is prepared to consult with the CONTRACTING PARTIES in case it is decided to apply the provisions of this bill to any products other than those above mentioned. It is the intention of the Government of Ceylon to limit the regulation of the imports of the products enumerated in the previous paragraph to a period of five years after which it is confidently expected that the industries in question will have reached a stage of competitive viability.

