

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Committee on Balance-of-Payments
Restrictions

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1971 CONSULTATION UNDER ARTICLE XVIII:12(b) WITH CEYLON

Basic Document for the Consultation¹

I. Legal and administrative basis of import restrictions

The present legal basis for the control of imports is the Imports and Exports (Control) Act No. 1 of 1969. Under this Act the Government has the power to prohibit or restrict the importation of any goods and to prescribe any conditions relating to imports and exports. The import controls enforced under this Act are designed to permit the maximum value of imports consistent with the need to safeguard the country's overall foreign exchange reserves.

Import policy is formulated by the Ministry of Foreign and Internal Trade in consultation with the Ministry of Planning and Employment, subject to the approval of the Cabinet. The Minister of Foreign and Internal Trade is empowered under the Act to issue regulations in conformity with the objects and purposes of the Act. The responsibility for administering the regulations rests with the Department of Import and Export Control, which is a department under the Ministry of Foreign and Internal Trade.

Details of import policies, licensing procedures and any changes thereof are published in the Ceylon Government Gazette.

II. Methods used in restricting imports

On 6 May 1968 the Government of Ceylon introduced a Foreign Exchange Entitlement Certificate Scheme (FEECS). Under this Scheme the Central Bank issues through the commercial banks FEECS to exporters of all goods and services (other than the major exports and for some invisible receipts) and including tourist receipts. The certificates are transferable, and have a market value, because the holders of the certificates are entitled, subject to import and export control requirements, to purchase foreign exchange from commercial banks at their selling rates, on surrender of certificates of equivalent face value, for the payment of certain items of imports and other remittances.

The object of the FEEC Scheme was to provide a cash incentive to selected exports and invisible transactions and to impose an additional rupee cost on selected imports and invisible payments. The present value of the certificate is 55 per cent of the face value. The full particulars of the Foreign Exchange Entitlement Certificate Scheme were published in the Ceylon Government Gazette No.14,800/3 of 5 May 1968.

¹Based on material supplied by the Ceylon Government. A statement by Ceylon on the balance-of-payments position in 1970 will be circulated separately.

A significant change in the FEEO Scheme occurred with the assumption of office by the new Government in May 1970. One of its immediate actions was to suspend the Open General Licence Scheme pending a review of the foreign exchange position. Subsequently, on 4 August 1970 the Open General Licence Scheme was abolished (vide Import Control Notice 18/70 appearing in Gazette No.14917/2 of 4.8.70) and imports made under this facility were transferred to category 'B' (see below). Further changes were introduced in the first budget of the new Government when the import of books and periodicals, two-wheel tractors, implements and spares, and cotton yarn and raw cotton were transferred to category 'A' (see below), and the imports of sugar, maize and the imports of the Sri Lanka Sugar Corporation, the Ceylon Transport Board, and the Ceylon Electricity Board, were transferred to category 'B'.

All imports involving the payment of foreign exchange are now divided into two categories - category 'A' Imports and category 'B' Imports (formerly referred to as Schedules I and II).

Category 'A' imports

Imports for which foreign exchange is released against import licences which need not be supported by FEEOs. These include items affecting the cost of living (e.g. food) and certain other essential imports (see annex).

Category 'B' imports

Imports by the trade are permitted against individual import licences, and foreign exchange is released against such licences, which should be supported by FEEOs.

Registered importers are issued quota allocations, twice a year, for items falling under categories 'A' and 'B' on the basis of past imports. Firms or individuals who apply to be registered as quota holders have to establish that they have imported the identical commodities during the base period. (1959-1961 for most commodities and 1962-1964 for certain items such as foodstuffs and drugs.) An importer is allowed a quota on the basis of his best year's imports. For those items which were previously under Open General Licence, the basis of allocation is the imports effected during the Open General Licence period.

The amount of the quota allowed during a particular half year is dependent on the decision made by the Foreign Exchange Budget Committee. Based on the quantum of exchange allowed for a particular group of commodities, an importer is issued a licence covering a particular range of commodities based on a generic description. The quotas issued are global except for imports under foreign aid for which specific licences may be issued for imports from particular countries granting the aid. No imports are allowed from Rhodesia.

In addition to the above:

(1) Special actual user licences are issued, by the Ministry of Industries and Scientific Affairs, to cover the essential requirements of small-scale industries and handloom operators with an annual turnover of less than Cey Rs 100,000. The licences are issued on a quota basis and free from FEECs. Special actual user licences, free from FEECs, are also issued to manufacturers of pharmaceuticals. Actual user licences are also issued on a quota basis by the Ministry to large-scale industrialists, but imports against these licences are subject to the payment of FEECs.

(2) Direct user licences are issued by the Controller of Imports and Exports to approved direct users who import goods for their own purposes and not for resale. Imports made under these licences are subject to the payment of FEECs. The following are the broad categories of direct users:

- (a) organizations, associations and institutions other than manufacturing industries, covered by the actual user scheme;
- (b) diplomatic and consular services and those permitted to import goods duty free;
- (c) repair workshops engaged in the maintenance of motor vehicles, radios and watches, requirements of photographic studios, furniture workshops, jewellery shops etc.
- (d) direct user applicants (lorries, commercial vans and trucks);
- (e) direct user applicants (imports for personal use).

A new scheme for the Ceylonization of trade was prepared during the latter part of 1967 with a view to helping Ceylonese importers, firstly those displaced importers who had lost business as a result of banning of certain imports and suspension of other imports on account of lack of foreign exchange, and were therefore finding it difficult to maintain their establishments, and secondly, newcomer importers. All importers were required to furnish statistical information about their firms and this information was catalogued by the Department of the Controller of Imports and Exports.

An Advisory Committee was also appointed by the Minister of State to suggest ways and means of helping Ceylonese importers and one of the recommendations of the Sub-Committee was that certain minimum limits should be adhered to for import quota items.

Based on the information collected from importers and also on the recommendation of the Sub-Committee a new policy for the Ceylonization of trade came into force at the beginning of 1968. Under this policy, certain percentage cuts are made on

the import allocations of non-Ceylonese importers issued every half year. The "savings" effected by the first cuts were used to step up to minimum economic limits the quota of Ceylonese importers who received very small allocations. Savings effected on subsequent cuts were used to help displaced Ceylonese importers, and finally the Ceylonese newcomers are helped, after verification of their bona fide status, and ability to carry on import business.

III. Bilateral agreements

Ceylon has trade and payments agreements with the following countries: Bulgaria, China (Mainland), Czechoslovakia, Eastern Germany, Hungary, Iran, Iraq, North Korea, Poland, Romania, Syria, United Arab Republic, USSR and Yugoslavia. These trade agreements, except the one with China, contain indicative lists of products available for export from the respective partners to the agreement. The payments agreements provide for bilateral clearing accounts through which payments will be effected. The agreement with China is of a special character with definite commitments to sell rubber from Ceylon against agreed quantities of rice.

IV. Use of State trading or Government monopoly in restricting imports

The Government, through the Food Department, is the sole importer of rice, flour, sugar, Maldivic fish, red onions and masoor dahl. The following State corporations have also the monopoly of the import of items indicated:

- (a) Eastern Paper Mills Corporation: newsprint, paper and paperboard items. Imports on actual user's licences are also channelled through the Corporation.
- (b) National Textile Corporation: cotton yarn.
- (c) Oils and Fats Corporation: foodstuffs for animals and maize.
- (d) Paranthan Chemicals Corporation: caustic soda.
- (e) Ceylon Fertilizer Corporation: most fertilizers, with a few exceptions.
- (f) Ceylon Fisheries Corporation: fishing nets, lines and fishing gear.
- (g) Milk Board: full cream milk foods and malted milk.
- (h) Ceylon Petroleum Corporation: petroleum products including crude oil, but excluding aviation fuels and lubricants; automotive and industrial lubricants, brake fluids, paraffin and match waxes, petrolatums.
- (i) Co-operative Wholesale Establishment: canned fish, dried fish, chillies and other subsidiary foodstuffs.

- (j) Lanka Salu Sala: cotton and other fabrics, cotton thread, cordage. This institution will shortly be incorporated as the Sri Lanka State Trading (Textile) Corporation.
- (k) Sri Lanka State Trading (General) Corporation - hardware, photographic equipment, plywood chests, miscellaneous items.

The Government and State corporations have the monopoly of the import of these items in order to secure adequate supplies on the most favourable terms and to ensure fair distribution.

V. Effects of restrictions on trade

Licences for category 'A' items for 1970 were issued up to the value of Cey Rs 1,438 million, as follows:

(a) Free exchange	Cey Rs 1,101 million
(b) Commodity aid	Cey Rs 307 million
(c) Project aid	Cey Rs 16 million
(d) Suppliers' credits	Cey Rs 14 million

The value of licences issued for category 'B' items during 1970 was Cey Rs 1,245 million, made up as follows:

(a) Free exchange	Cey Rs 785 million
(b) Commodity aid	Cey Rs 79 million
(c) Project aid	Cey Rs 35 million
(d) Supplier's credits	Cey Rs 77 million
(e) "O.G.L. imports"	Cey Rs 134 million ¹ Cey Rs 135 million ²

¹Licences opened in 1969 and subsequently re-validated in 1970.

²Licences opened in 1970 i.e. up to 29 May 1970 when OGL imports were suspended.

ANNEX

Import Control Lists

Category A

Quota items

F 29	Dried chillies
F 22 B	Cummin seed
F 22 A	Corriander
F 27	Dried fish
F 28	Canned fish
F 11	Yeast and baking powder
F 18	Pulses, excluding masoor dhal
F 19	Garlic
F 22	Fennel seed, mathe seed and turmeric
F 17	Bombay onion
F 26	Dates
F 10	Infants' milk food
D 1	Western drugs
D 2	Ayurvedic drugs
D 3	Veterinary drugs
94 A	School mathematical instrument sets
24	Books and pamphlets
101	Slate pencils and school chalks
146	Surgical belts and safety belts
148	Hearing aids and parts thereof
150	Artificial dentures, limbs and eyes
152 C	Two-wheel tractors, implements and spares
123	Scientific glassware
37	Alavangoes, forks, knives or saws for budding or tapping, sickles, hand tools (other than axes, pick axes, pruning knives, mammoties) and implements for agricultural use

Category BQuota items

7	Household insecticides, disinfectants and similar preparations
7 A	Agro-chemicals
8 A	Brako fluid, chemicals miscellaneous chemicals
11	Printers ink
60	Explosives (other than cartridges and fireworks)
13	Tea and other plywood chests and panels excluding metal fittings
14)
14 A) Paper and paperboards
15)
61 A B	Leather (other than reconstituted and artificial leather)
63	Hose pipes and piping wholly or mainly of rubber
63 C	Other rubber fabricated materials
67	Cork manufactures (including cork seeds and cork stoppers)
72 C	Cotton thread, bleached, dyed or mercerized
74	Rubberized and other impregnated fabrics
75	Elastic fabrics and webbing
77	Fishing nets (including lines)
80 C	Cotton webbing, non-sterile
80 D	Cotton wicks for lamps, lighter, stoves
26 A	Footwear, exclusively for sports
97	Musical instruments and parts thereof (excluding pianos, gramophones, record players and tape recorders)
98	Buttons, studs and buckles including hooks and eyes (except those of precious metals and of precious stones)
99	Brushes for painting, including decorators brushes
99 D	Parts of fountain pens (except caps) and refills for ball-point pens
100	Office supplies (other than paper, pens, pencils, pins and clips and office machines)
144	Printer's materials
145	Laminated plastic sheets

Quota items

149	Vacuum flasks, excluding refills
30	Insulated cables and wires for electricity
31	Radio spares (excluding cabinets for maintenance and repairs)
102 A and B	Dry cell batteries, other than battery packs and standard torch cells
102 C	Batteries, other than dry cell
103	Splash proof accumulators and batteries for motor vehicles (other than for cars, lorries, vans and wagons)
105 B	Parts of electric appliances and apparatus (domestic) for maintenance and repairs
107 A	Parts of electric fans for maintenance and repairs (other than blades)
111 A	Public address system complete and parts thereof
162	Parts of refrigerators (excluding cabinets) for maintenance and repairs
112	Chimneys and globes for lamps and lanterns
114	Sinks, bidets, baths and other sanitary and plumbing fixtures and fittings including plumbing metal caps excluding enamel chamber pots, wash basins, squatting pans, commodes and cisterns)
116	Hume pipes, drainage pipes and earthenware pipes
118	Abrasive clothes and papers and similar materials
126	Bottles and other containers (including stoppers and closures of common glass)
127	Glass table ware and other articles of glass for household use
141	Spare parts of stoves and cookers (non-electric)
133	Nails, belts, nuts, washers, rivets, screws and similar articles of base metals
133 C	Wire nails and wood screws
142 A	Slotted angles and panels of iron and steel
142 F	Guns, breach loading single barrel
151	Engineering stores (excluding irrigation pumps)
157	Parts of printing and book binding machinery
158	Handloom textiles and weaving accessories
163	Inboard and outboard marine engines and parts thereof

Quota items

165	Atomizers, sprayers and equipment (and parts thereof) for insect and pest control
167 A	Rice huller spares for repairs and maintenance
166	Parts of sewing machines (excluding needles) for maintenance and repairs
173	Petroleum products
20-21	Textiles
46	Canes and rattans
171	Gas, manufactured
3 and 4	Inorganic and organic chemicals, other than caustic soda, chlorine and camphor
9	Coal, tar, dyestuffs and natural indigo
56	Adhesive plaster, plaster of paris, first-aid outfits, dressing (adhesive, medicated or antiseptic) other than surgical cotton wool and bandages
16 to 19 A	Pneumatic tyres and tubes for motor cars, lorries, buses and trucks motor vehicles and for cycles other than tyres and tubes of size 28 ins. x 1 1/2 ins. and 26 ins. x 1 3/8 ins.
64.	Hygienic, medical and surgical articles of rubber (including ice bags, oxygen bags, preventives and syringes)
64 A	Valves for feeding bottles, teats, hot water bottles and soothers
70	Stencils for use with duplicating machines
79	Incandescent mantles
22	Photographic chemicals and chemical products for use in photography
22 A	Photographic films, paper and plates (other than X-ray films, litho-films and plates for printing work)
22 B	X-ray films, and plates for printing work
22 C	Sensitized duplicating (0.075) paper
22	Newspapers and periodicals (1.6)
93 A	Clinical thermometers
27	Spare parts for cars, lorries, vans and wagons (excluding chassis and engines)
28	Spare parts for motor cycles and scooters (excluding frames and engines)

Quota items

104 B	Torch bulbs
104 C	Photo flash bulbs
104 D	Electric lamp bulbs (other than of 15 watts with standard bayenot cap suitable for 220 to 250 volts)
161 A	Parts of cycles (non-motorized)
34	Base metals, iron and steel including sheets, plates, bars, wires (other than barbed wire), tubes, pipes and fitting for tubes and pipes.
35	Base metals, non-ferrous, including sheets, plates, bars, wires, tubes, pipes and fittings for tubes and pipes but excluding aluminium foils and lining and solder lead
120	Window glass
121	Plateglass
142 D	Electrodes for welding and welding rods
152 to 154	Four-wheel tractors, implements and spares
152 A	Earth-moving tractors, implements and spares
164	Stationary internal combustion (diesel and semi-diesel) engines below 90 HP and parts
43 A	Moulding sand
43 B	Fire clay
43 E	Industrial talc
49	Linseed oil
168	Asphalt (bitumen) and related products
168 A	Pitch, resin, petroleum, asphalt, coke of petroleum and other by products of coal, lignite, petroleum and oil shale (including mixtures with asphalt) n.e.s.
169	Coal, coke and patent fuel
62	Machine leather belting
65	Machine belting in the length (vulcanized rubber)
71	Toilet paper and sanitary towels of cellulose paper
78	Machine belting of textile materials
80 A	Insulating materials, silicate of cotton
80 B	Straining cloth used in oil presses
80 E	Hose pipes and piping

Quota items

24 A	Maps, charts and art prints
26	Sports goods (other than apparel, footwear, volley balls and parlour games)
93	Surgical, medical and dental instruments and applicances and parts thereof and clinical thermometers
93 A	Clinical thermometers
94	Measuring, controlling and scientific (excluding school mathematical instrument sets) instruments
143	Artist's materials (excluding paints and brushes)
12	Artistic colours, water colours etc.
110	Electric torches
108	Lamps and lanterns (kerosene oil) and parts thereof excluding incandescent mantles
117	Refractory bricks and other refractory construction materials including fire cement
118 A	Polishing wheels and stones
119	Manufactures of asbestos (other than building materials) including packing, fibrous fillers, insulation and jointing
122	Bricks, tiles and other construction materials of cast or pressed glass
123	Laminated and other safety glass
38	Implements and tools (other than agricultural) including engineer's tools, machine tools, saws, saw blades, files and rasps
131	Wire cables, ropes, plaited bands, slings and other similar articles of iron and steel, uninsulated
132	Wire fencing, wire grills
132 A	Wire mesh and expanded metal excluding barbed wire, iron and steel non-ferrous
134	Needles and pins of base metals (excluding hair-pins, hair-curlers and hair-grips)
137	Door and window fittings
137 A	Fittings (including hinges, locks, padlocks, locks and keys, fittings including hinges, locks and keys for furniture, trunks, suitcases and boxes)

Quota items

140	Razors (excluding blades)
140 A	Hair clippers and scissors
142	Chains, blocks of galvanized iron and steel
142 B	Seals and stoppers of base metals
142 E	Springs, steel
151 A	Parts of electrical machinery for industrial use, n.e.s.
151 B	Parts of machinery (except electrical) for industrial use, n.e.s.
155	Typewriters, complete and parts thereof
156	Accounting, book-keeping, calculating and other office machine (including cash registers and dictaphones) and parts thereof
159	Weighing machines (excluding laboratory scales) complete and parts thereof
59	Waxes, polishes, pastes, powder and similar preparations for polishing and preserving leather, wood, metal, glass or other materials (other than french polish, car polish and wax polish for shoes, furniture and floors)
63 B	Hospital sheeting and mackintosh sheeting of rubber
66 B	Fibre boards (including hard-boards and insulating boards)
72 A	Yarn and thread of wool and hair
72 D	Yarn and thread of flax, hemp
76	Cordage, cables, ropes, twines and similar manufactures of textile materials
81 A	Fabrics of jute (jute hessian)
82	Tarpaulins and sails
84	Estate cumbilies
85	Woollen clothing, used (second-hand)
92	Parts of photographic and cinematographic apparatus and appliances for maintenance and repairs
96	Phonograph (gramophone) records and recorded tapes
96 A	Magnetic recording tapes
99 B	Jeweller's brushes, hair brushes, shaving brushes and stencil brushes
174	Candles for water filters, ceramic
104	Fluorescent tubes (excluding fittings)

Quota items

105 A	Electric smoothing irons complete parts thereof
107	Electric apparatus for medical purposes and radiological apparatus, complete and parts thereof
111	Electric lighting accessories, plugs, holders and adapters (other than three pin plugs and bases of five amperes, C.G. lamp holders and ceiling roses)
105	Hot plates, immersion heaters and electric kettles
109	Lamps and lanterns (other than electric) pressure type and parts thereof excluding incandescent
174 A	Filters, water - domestic type
139	Kitchen utensils of base metals (excluding plated utensils and table-ware)
142 C	Flat smoothing irons (non-electric)
167 B	Lawn mowers and parts thereof
F 20	Sago and arrowroot flour
F 26 A	Sultanas and raisins
F 15	Barley
F 7	Malted milk
F 8	Butter