

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED

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1975 CONSULTATION UNDER ARTICLE XVIII:12(b) WITH SRI LANKA

Statement Submitted by Sri Lanka Under the
Simplified Procedures for Consultation¹

1. 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.

2. Methods used in restricting imports

On 6 May 1968, the Government of Sri Lanka 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 invisible receipts) and including tourist receipts.

¹L/3772/Rev.

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 65 per cent of the face value.

A significant change in the FEEC Scheme occurred with the assumption of office by the present 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. As there was no likelihood of any appreciable improvement in Sri Lanka's balance-of-payments position in the immediate future, the Open General Licence Scheme was abolished vide Import Control Notice 18/70 appearing in Gazette No. 14917/2 of 4 August 1970 - and imports made under this facility were brought under the individual import licence system.

A further change was introduced in the first budget of the present 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 Corporation, the Ceylon Transport Board, and the Ceylon Electricity Board, were transferred to Category "B".

After 10 November 1972, the import of all items (including those imported by all institutions) were made subject to the requirement to surrender FEECS except those items given in Annex A.

All imports involving the payment of foreign exchange are now divided into two categories - Category "A" Imports, and Category "B" Imports.

- (i) Category "A" Imports: Imports for which foreign exchange is released against import licences which need not be supported by FEECS (Annex "A")
- (ii) Category "B" Imports: Imports for which foreign exchange is released against individual import licences, which should be supported by FEECS (Annex "B").

For licensing purposes, imports are classified as follows:

1. Imports for the trade under Trade Quota Items.
2. Imports by government departments and corporations.

3. Imports on direct user licences. These are normally issued to individuals, institutions and firms but not those registered with the Ministry of Industries as manufacturing institutions.
4. Imports on actual user licences issued by the Ministry of Industries to manufacturing corporations and other private manufacturing institutions.

3. Basis of issuing allocations to trade of items listed under Categories "A" and "B"

Registered importers are issued quota allocations twice a year for items falling under Category "A" and "B" on the basis of past imports. The base period is 1959 to 1961 for the majority of commodities, while for items like foodstuffs and drugs, the base period is 1962-1964. Firms or individuals who have made imports of commodities for which they may apply to be registered as quota holders have to establish that they have imported the identical commodities during the base period. An importer is allowed a quota on the basis of his best year's imports. For those items which were previously under the quota system, 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.

4. Ceylonization of trade

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 newcomer Ceylonese were helped after verification of their bona-fide, and ability to carry on import business.

5. Bilateral Agreements

Sri Lanka has Trade and Payments Agreements with the following countries: Bulgaria, China, Czechoslovakia, German Democratic Republic, Hungary, Iran, Iraq, North Korea, Poland, Romania, Syria, United Arab Republic, USSR and Yugoslavia. These trade arrangements, excluding 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 Sri Lanka against agreed quantities of rice.

6. State trading

The government, through the food department is the sole importer of rice, flour, sugar and masoor dhal. The following state corporations have also the monopoly of the import of items indicated:

- (a) Eastern Paper Mills Corporation - newsprint, paper and paper-board items. Imports on actual user's licences are also channelled through the corporation.
- (b) Weaving Supplies Corporation - cotton yarn, dyes and chemicals for the textile industry.
- (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, aviation fuel, and lubricants; automotive and industrial lubricants, brake fluids, paraffin and match waxes, petrolatums.
- (i) Co-operative Wholesale Establishment - canned fish, dried fish, and other subsidiary foodstuffs and other sundry items.
- (j) Sri Lanka State Trading (Textile) Corporation - cotton and other fabrics, cotton thread, cordage.

- (k) Sri Lanka State Trading (General) Corporation - hardware, photographic equipment, plywood chests, miscellaneous items.
- (l) State Flour Milling Corporation - wheat (whole).
- (m) Sri Lanka Tobacco Industries Corporation - beedi leaves.
- (n) Ayurvedic Drugs Corporation - Ayurvedic drugs (partial monopoly).
- (o) State Pharmaceuticals Corporation - western drugs and pharmaceuticals (partial monopoly).
- (p) Sri Lanka State Trading (Tractor) Corporation - tractors, implements and spares.
- (q) Building Materials Corporation - building materials.
- (r) Paddy Marketing Board - Paddy milling machinery and spares.

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.

7. Effect of restrictions

Licences issued for Category "A" items for 1973 and 1974 were as follows:

<u>"A" Category</u>	<u>1973</u> (Rs. million)	<u>1974</u> (Rs. million)
Free exchange	280,244	558,573
Commodity aid	18,729	32,790
Project and other aid	-	-
Suppliers' credit (and short-term credit)	51,741	115,740
Trade and payments agreement and bilateral payment agreement (free exchange)	1,965	24,024
Total	361,679	731,127

Licences issued for Category "B" items for 1973 and 1974 were as follows:

<u>"B" Category</u>	<u>1973</u> (Rs. million)	<u>1974</u> (Rs. million)
Free exchange	576,310	629,657
Commodity aid	120,634	165,735
Project and other aid	7,019	40,257
Suppliers' credit (and short-term credit)	2,879	8,113
OGL item	-	-
Trade and payment agreements and bilateral payment agreement (free exchange)	10,935	50,257
	<u>717,777</u>	<u>894,019</u>

ANNEX 'A'

'A' CATEGORY IMPORTS

- (a) Food Imports -
- Rice
 - Wheat flour
 - Wheat grain
 - Infant milk foods
 - Dried fish
 - Masoor dhal
 - Corriander and cummin seed
- (b) Other Imports -
- i) Fertilisers
 - Books
 - Magazines
 - Newspapers
 - Periodicals
 - Maps and Charts
 - Two wheeled tractors and implements
 - Spares for two-wheeled tractors
 - Western Drugs
 - Hearing aids, and parts thereof, artificial dentures, limbs and eyes.
 - ii) Raw Materials
 - Packing Materials
 - Machinery
 - Equipment and spares required for the manufacture or processing of the following -
 1. Fertilizer
 2. wheat flour
 3. Infant milk foods
 4. Western drugs
 - iii) Currency Notes and coins imported by the Central Bank of Ceylon and Commercial Banks operating in Sri Lanka.
 - iv) Imports financed under ADB loans for factory modernization , but subject to a licence fee of 20%

'B' - CATEGORY IMPORTS

<u>New</u> <u>Q.I</u>	<u>Old</u> <u>Q.I</u>	
671	7	Napthalene
670	7A	Agro Chemicals
672	8	Chemicals, Misc
640	11	Printers Ink
656	60	Explosives (other than cartridges and fireworks)
699	13	Tea and other plywood chests and panels excluding metal fittings.
	14)	
711	14A)	Paper and paper boards
	15)	
682	63	Hose pipes and piping wholly or mainly of rubber.
686	63C	Other rubber fabricated materials.
703	67	Cork manufactured (including cork seeds and cork stoppers)
738	72C	Cotton thread, bleached, dyed or mercerized
756	75	Elastic fabrics and webbing
754	77	Fishing nets (including lines)
751	80C	Cotton webbing, Non sterile
758	80D	Cotton wicks for lamps, lighter, stoves
777	26A	Footwear, exclusively for sports
938	97	Musical instruments and parts thereof (excluding pianos, gramophones, record players and tape recorders)
960	98	Buttons, studs and buckles including hooks and eyes (except those of precious metals and of precious stones)
961	99D	Parts of fountain pens (except caps) and refills for ball point pens.
964	100	Office supplies (other than paper, pens, pencils, pins and clips and office machines)
966	144	Printer's materials
805	149	Vacuum Flasks - only refills
899	30	Insulated cables and wires for electricity
893	31	Radio spares (excluding cabinets for maintenance and repairs)
885	102 A & B	Dry cell batteries, other than battery packs and standard torch cells.
886	102 C	Batteries, other than dry cell.
887	103	Splash proof accumulators and batteries for motor vehicles (other than for cars, lorries, vans and wagons).

891	105 B	Parts of electric appliances and apparatus (domestic) for maintenance and repairs.
926	107 A	Parts of electric fans for maintenance and repairs (other than blades)
892	111 A	Public address systems
866	162	Parts of Refrigerators (excluding cabinets) for maintenance and repairs.
806	112	Chimneys and globes for lamps and lanterns.
795	114	Sanitary and plumbing fixtures and fittings including plumbing metal caps, wash basins, squatting pans, commodes and cisterns
794	116	Hume pipes, draining pipes and earthenware pipes.
788	118	Abrasive clothes and papers and similar materials.
826	141	Spare parts of stoves and cookers (non-electric)
823	133	Nails, bolts, nuts, washers, rivets, screws and similar articles of base metals.
822	133 C	Wire nails and wood screws
943	142F	Guns, breach loading single barrel
861	151	Engineering stores (excluding irrigation pumps)
875	157	Parts of printing and book binding machinery
876	158	Handloom textiles and weaving accessories.
863	163	Inboard and Outboard marine engines and parts thereof.
868	165	Atomisers, sprayers and equipment (and parts thereof) for insect and pest control)
874	167A	Rice huller spares for repairs and maintenance.
877	166	Parts of sewing machines (excluding needles) for maintenance and repairs.
603	173	Petroleum products
739	20 -21	Textiles
560	46	Canes and rattans
610	171	Gas, manufactured
609	3 & 4	Inorganic and organic chemicals, other than caustic soda, chlorine and camphor
638	9	Textile Dyes, Binders and Fixtures
624	56	Adhesive plaster, plaster of paris, first aid outfits, dressing (Adhesive, medicated or antiseptic) other than surgical cotton wool and bandages.
684	{ 16 to 19 A	Pneumatic tyres and tubes for motor cars, lorries, Buses and trucks motor vehicles and for cycles other than tyres & tubes of size 28" x 1½" & 26" x 1 3/8"

685 64 Hygienic, medical and surgical articles of rubber
(including ice bags, oxygen bags, preventives and
syringes)

804 64 A Feeding bottles

713 70 Stencils for use with duplicating machines

757 79 Incandescent mantles

684 22 Photographic chemicals and chemical products
for use in photography

682 22 A Photographic films, paper and plates (other than X'ray
films, litho films and plates for printing work)

661 22 B X'ray films, and plates for printing work

663 22 C Sensitized duplicating (0.075) paper

721 25 Newspapers and periodicals. (1.6)

930 93 A Clinical thermometers

911 27) Spare parts for cars, lorries, vans and wagons
28) (excluding chassis and engines)
Spare parts for motor cycles and scooters (excluding
frames and engines)

896 104 B Torch Bulbs

897 104 C Photo flash bulbs

898 104 D Electric lamp bulbs (other than of 15 watts with
standard bayonet cap suitable for 220 to 250 volts)

917 161 A Parts of cycles (non motorised)

817 34 Base metals, iron and steel including sheets, plates,
bars wires (other than barbed wire), tubes, pipes and
fitting for tubes and pipes

834 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

800 (120 Window glasses
(121 Plate glass

859 142 D Electrodes for welding and welding rods

908 152 to four wheel tractors, implements and spares
154

870 152 A Earth moving tractors, implements and spares

864 164 Stationery internal combustion (diesel and semi diesel)
engines below 90 HP and parts

594 43 B Fire clay

563 49 Linseed oil

604 168 Blown Asphalt

693 62 Machine leather belting

683 65 Machine belting in the length (vulcanised rubber)

714	71	Toilet paper
760	78	Machine belting of textile materials
762	80A	Insulating materials silicate of cotton
759	80E	Hose pipes and piping
956	26	Sports goods (other than apparel, footwear, volley balls and parlour games)
925	93	Surgical, medical and dental instruments and appliances and parts thereof and clinical thermometers
930	93A	Clinical thermometers
931	94	Measuring controlling and scientific (excluding school mathematical instrument sets) instruments.
865	143	Artist's materials (excluding paints and brushes)
639	12	Artist colours, water colours, etc.
888	110	Electric torches
853	108	Lamps and Lanterns (kerosene oil) and parts thereof excluding incandescent mantle
793	117	Refractory bricks and other refractory construction materials including fire cement
787	118A	Polishing wheels and stones
789	119	Manufactures of asbestos (other than building materials) including packing, fibrous fillers, insulation & jointing
809	122	Bricks, tiles and other construction materials of cast or pressed glass
843	38	Implements and tools (other than agricultural) including engineer's tools, saws, sawblades, files and rasps
819	131	Wire cables, ropes, plaited bands, slings and other similar articles of iron and steel, uninsulated
820	(132)	Wire fencing, wire grills
	(132A)	Wire mesh and expanded metal excluding barbed wire, iron and steel and non-ferrous
824	134	Needles and pins of base metals (excluding hair-pins, hair curlers and hair grips)
851	(137)	Door and window fitting
	(137A)	Fittings (including hinges, locks, padlocks locks and keys, fittings including hinges, locks and keys for furniture, trunks, suit cases and boxes)
847	140	Razors (excluding blades)
848	140 A	Hair clippers and scissors
821	142	Chains, black galvanized, iron and steel
854	142B	Seals and stoppers of base metals
825	142E	Springs, steel

862 151 A Miscellaneous machinery and apparatus (Electric and Non electric (c) and spares)

878 155 Typewriters, complete and parts thereof

879 156 Accounting, book-keeping, calculating and other office machines (including cash registers and dictaphones) and parts thereof.

869 159 Weighing machines (excluding laboratory scales) complete and parts thereof.

649 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 wash polish for shoe, furniture and floor).

681 63B Hospital sheeting and mackintosh sheeting of rubber

732 72A Yarn and thread of wool and hair

753 76 Cordage, cables, ropes, twines and similar manufactures of textile materials

746 81A Fabrics of Jute (jute hessin)

772 82 Tarpaulines and sails

771 84 Estate cumbilies

775 85 Woolen clothing, used (second hand)

924 92 Parts of photographic and cinemategraphic apparatus and appliances for maintenance and repairs

939 (96 Phonograph (gramophone) records and recorded tapes
(96A Magnetic recording tapes

952 99B Jeweller's brushes

895 104 Flourescent tubes (excluding fittings)

889 105A Electric smoothing irons complete parts thereof

926 107 Electric apparatus for medical purposes and radiological apparatus, complete and parts thereof.

111 Electric lighting accessories, plugs, holders and adapters (other than 3 pin plugs and bases of 5 amperes, C.G. Lamp holders and ceiling roses)

882 109 Lamps and lanterns (other than electric) pressure type and parts thereof

846 142C Flat smoothing irons (non-electric)

873 167B Parts for Lawn movers.

529 F 26A Sultanas and raisins

543 F 15 Barley

512 F 8 Butter

530 F 11 Yeast and Baking powder

522 F 19 Garlic

538 F 22 Fennel seed, Mathe seed

528 F 26 Dates

622	D 2	Ayurvedic Drugs
625	D 3	Veterinary Drugs
927	146	Surgical Belts and Safety Belts
808	128	Scientific Glassware
842	37	Alavangoos, Forks, Knives or Saws for budding pruning or tapping, pick axes, sickles, hand tools (other than mammoties) and implements for agricultural use.
